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Report of the

Auditor General of Prince Edward Island

To the Legislative Assembly

1985

OFFICE OF THE AUDITOR GENERAL

PROVINCE OF PRINCE EDWARD ISLAND

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The Honourable Speaker and
Members of the Legislative Assembly
of the Province of Prince Edward Island

In accordance with the requirements of the Audit Act, I have the honour of presenting my annual report to the 1985 Session of the Legislative Assembly.

Respectfully Submitted,

T. Kaptein, C.A.
Auditor General

Charlottetown
Prince Edward Island
February 7, 1985

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MATTERS OF GENERAL INTEREST

1. SOME KEY FINANCIAL TRENDS

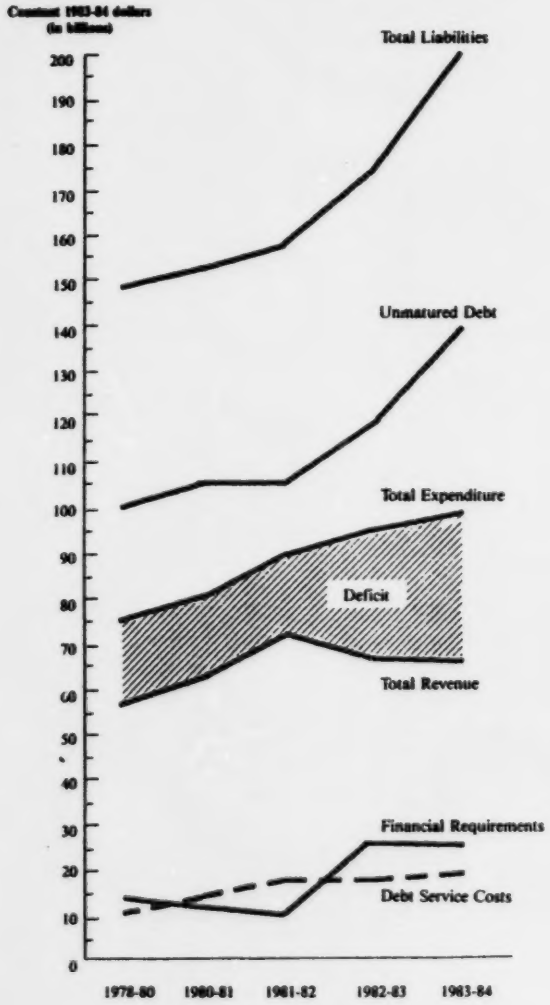
1.1 In his recent report to the House of Commons, the Federal Auditor General presented a graph of trends depicting the financial performance of the Federal Government over the last five years, measured in 1984 constant dollars - **Exhibit I.** I have prepared a comparative graph for Prince Edward Island - **Exhibit II.** A picture is worth a thousand words and I feel that a comparison of trends in graphic form might be of interest to the Legislative Assembly.

1.2 The graph for P.E.I clearly indicates that the alarming trends which are evident at the Federal level are not evident in our province and that attempts to keep our financial management under control have been quite successful especially considering the depressed state of the economy over the last few years.

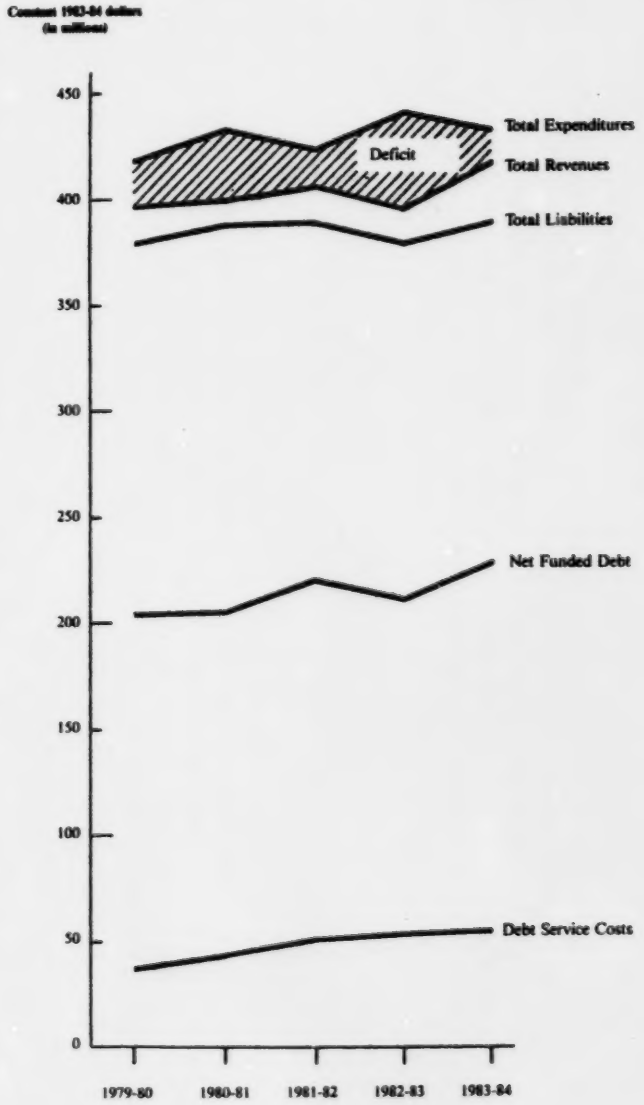
1.3 Statistics published by a major broker indicate that our gross debt per capita is the lowest of any Canadian jurisdiction. Meaningful comparitive data concerning net debt are not available, because standards of reporting vary substantially between jurisdictions. A reasonable guess would be that we compare favourably in that respect too, because our Sinking Fund provisions are more than adequate to pay our gross debt in full upon maturity.

1.4 Financial management is of course only one of several standards by which overall government performance is measured. Economic growth, the level of unemployment, per capita income, are some others. Their measurement is beyond the scope of my Office, but they are related to financial management in that trade-offs have to be made which of course is a matter of priorities established by overall government policy.

CANADA - EXHIBIT I



PRINCE EDWARD ISLAND - EXHIBIT II



2. GUARANTEES - AN INVISIBLE DEBT?

2.1 The Minister of Finance cannot make any long term borrowings without the authority of an Act of the Legislature. In contrast, Section 23 of the Financial Administration Act authorizes guarantees to be made by Order-in-Council only. In essence, guarantees are part of the gross debt. Many are long term and the amounts are substantial.

2.2 Guarantees as a rule are approved by Order-in-Council. Recently, however, I accidently discovered a guarantee approved in 1980 by a Decision-in-Council only. I have access to Orders-in-Council but not to Decisions-in-Council. I am therefore concerned that more undisclosed guarantees could exist than are reported. Also the Decision was not brought to the attention of the Comptroller and therefore was not included in the administration of guarantees or the disclosure schedule attached to the Public Accounts. Guarantees made by Decisions-in-Council may be null and void.

2.3 Section 23 of the Act authorizes the Minister of Finance to make payments on a guarantee when the primary debtor is in default. However, this section of the Act does not authorize the Minister to discharge or cancel the resulting obligation of the primary debtor to the Province which arises when such a payment is made.

2.4 Some guarantees are secured but the security is usually subrogated to the main lenders and in many cases is insufficient to cover losses to the Province. It is my opinion that an Order-in-Council is required under section 17 of the Financial Administration Act to write off those losses which are legally recoverable from the entity receiving the initial guarantee but are uncollectable.

2.5 The nature of guarantees varies. They include: guarantees of loan principal only; principal and interest; contract performance; lines of credit; etc. Sometimes the validity of guarantees depend on performance or other conditions and it is questionable that a satisfactory monitoring system is in place.

2.6 Increasingly, borrowers in the private sector are the recipients of government guarantees. Because they are invariably in a weak financial position there is a fairly high risk exposure. One thing is sure, as a result of high leverage, overall losses will be incurred.

2.7 As Auditor General my concern is that guarantees be completely and properly disclosed in the Public Accounts. A lack of controls in the present system of recording and inconsistencies in disclosure lead me to believe that:

- Not all guarantees are being recorded.
- Those recorded do not always disclose the full extent of the guarantee.
- Conditions attached to the guarantees are not being adequately monitored and enforced.
- Imminent and estimable losses are not being adequately provided for.
- Controls over payments and recoveries are not satisfactory.

RECOMMENDATIONS

2.8 I recommend to Executive Council that all guarantees be approved by Order-in-Council in accordance with Section 23 of the Financial Administration Act.

2.9 I recommend that Treasury Board and the Department of Finance design and implement a system of control over the recording of guarantees, the payments on guarantees and the discharging of obligations to the Province arising from payments on guarantees.

3. RECORDS MANAGEMENT

BACKGROUND

3.1 In 1983 I performed an audit of the records management function in government. I observed that a number of departments are reaching their limit in storage space and that some departments have attempted to establish which of their records can be destroyed, but because of an overall failure of the Public Documents Committee to provide direction, no progress has been made.

3.2 I further observed that a wide variety of practices existed in Departments in the destruction and retention of documents and the general orderliness of storage areas. In general, far more is being retained and stored than necessary. Instead of using cardboard storage boxes, one department is using over fifty filing cabinets at a cost of $200 or more per cabinet to store its dormant files.

3.3 In todays environment a substantial volume of documents is continually being generated by agencies of government, storage of which is costly. It is reasonable to assume that the majority of documents have a short useful life and could be destroyed. Studies conducted by other provincial governments and the federal government demonstrate that substantial monetary savings are being realized through a records management system, particularly from freeing up storage space, office space, filing cabinets and employees time.

3.4 In its response to a recommendation in my 1984 report that the Public Documents Committee provide leadership in regard to document retention and destruction, it abrogates this responsibility. Instead it advised me that government must create a records management system. In my opinion, a more logical response would have been for the Committee, that under its Act is responsible for approving departmental retention and destruction schedules, to have advised its Minister or Executive Council that such schedules were not prepared or presented.

3.5 To prevent further delay in the creation of a records management system, I have no alternative but to repeat my recommendation to the Minister of Education, who is **responsible** for the Committee, and to Executive Council to whom the Committee is supposed to **report**.

RECOMMENDATION

3.6 **I recommend that Executive Council cause a cost effective records management system to be instituted and controlled and that responsibility for such system be assigned to an appropriate authority.**

4. UNIVERSITY OF PRINCE EDWARD ISLAND

4.1 The UPEI student newspaper, in its issue of September 20, 1984 stated "Government Auditor to look at our (the University's) books." Several people have asked me since how the audit was proceeding. However, the publication was somewhat premature in its statement.

4.2 I was indeed approached in February 1984 by the University's Audit Committee to see if I would be willing to conduct a comprehensive audit. I agreed and the Board of Governors apparently was in favour. However, the University Senate has not yet endorsed the idea.

4.3 A legal opinion obtained from the Department of Justice stated that I have the authority to conduct an audit of the affairs of the University under my Act. I much prefer the cooperation of the client because it makes for a better working relationship. I am now considering whether to include an audit of the University in my 1985 audit program.

5. 1985 RECOMMENDATIONS TO EXECUTIVE COUNCIL

(Consider in the context of applicable sections)

Section 2-8: Government Guarantees

I **recommend** to Executive Council that all guarantees be approved by Order-in-Council in accordance with Section 23 of the Financial Administration Act.

Section 36-6: Records Management

I **recommend** that Executive Council cause a cost effective records management system to be instituted and controlled and that responsibility for such system be assigned to an appropriate authority.

6. 1985 RECOMMENDATIONS TO TREASURY BOARD

(Consider in the context of applicable sections)

Section 2: Guarantees

I **recommend** that Treasury Board and the Department of Finance design and implement a system of control over the recording of guarantees, the payments on guarantees and the discharging of obligations to the Province arising from payments on guarantees.

Section 23.26: Public Accounts

I **recommend** that Treasury Board make an appropriate provision, i.e. $1.7 million, against the loan guarantee for the Hog Commodity Board and a $500,000 provision for doubtful sales tax receivables.

Section 27: P.E.I. Crop Insurance Agency

I **recommend** that Treasury Board ensure that the Agency adhere to the principles of risk management and that Treasury Board provide appropriations towards crop deficits unlikely to be recovered.

I **recommend** that Treasury Board consider applying the operating surplus against the appropriation for operating expenditures.

7. OFFICE OF THE AUDITOR GENERAL

7.1 In 1984 I seconded one of my experienced auditors to the Department of Transportation and Public Works for a three month period, to assist in designing and implementing improvements in its administrative systems. The secondment was considered so successful by the Deputy Minister that he requested a three months extension. Unfortunately I could not comply because I am short staffed as a result of not being allowed to fill a position which has been vacant for two years.

7.2 Recently two of my experienced auditors accepted positions outside the Province and I wish them both success in their careers. In a way I am pleased with these moves because a healthy staff turnover is desirable and also this indicates that there is a good career path for graduates after they complete their training in my office. However, I would much prefer that the benefits of the training would be realized within government and suggest that the Civil Service Commission recognize this potential.

7.3 This year I had the honour of hosting the Twelfth Annual Conference of Legislative Auditors. The conference was an outstanding success and the delegates and their spouses thoroughly enjoyed our famous Island hospitality.

7.4 Again in 1984, as in the previous two years, I participated in the International Exchange Program, operated by the Federal Auditor General under the auspices of the Canadian International Development Agency. The Auditor General of the Republic of Dominica spent six weeks in my office and received training in comprehensive auditing. He stated that the experience was very rewarding because the size of our jurisdiction is very similar to his.

7.5 Again this year, one of my students graduated with top honours attaining highest marks in Prince Edward Island in the national exams for admission to the Canadian Institute of Chartered Accountants.

8. SCOPE AND ACKNOWLEDGEMENTS

8.1 I now have achieved a desirable balance between the financial and operational mandates of my office. A number of comprehensive audits have been completed along with the traditional financial audits for which I am responsible.

8.2 In both my financial and comprehensive audits, I have received good co-operation from the Ministers, Deputy Ministers, Heads of Crown Corporations and other government officials. Also, I wish to acknowledge the assistance provided by the Legislative Audit Committee in the administration of my office. Finally I wish to thank my staff for their continued support in achieving the goals of this office.

9. INTERPRETATION OF THIS REPORT

9.1 Many of my audit findings are accompanied by recommendations for improvement. Although I expect that due consideration will be given to the underlying problems, the recommendations are in no way intended to infringe on the management rights or duties of any government official. They are merely intended to provide one possible course of action which may eliminate a weakness in control or an inefficiency. I feel that generally, my recommendations are being received in this positive light.

REPORTS ON COMPREHENSIVE AUDITS

10. INTRODUCTION TO COMPREHENSIVE AUDITS

10.1 Section 13(2) of the Audit Act establishes my mandate for comprehensive audits of departments and agencies of the Crown.

10.2 Comprehensive auditing is a broadly based auditing approach aimed at systematically reviewing and reporting on accountability relationships and on the supporting activities, systems and controls employed by management in fulfilling its responsibilities. The purpose of the audits is to ensure that objectives have been met and that the funds spent have provided value for money.

10.3 In contrast to financial auditing, no generally accepted standards have been developed as yet for comprehensive auditing. Instead, the Auditor has to rely mostly on his professional experience and judgement, supplemented where possible and subject to the availability of funds, by expert assistance in areas outside the auditors competence. The audits at this stage primarily cover accountability, management processes and controls.

10.4 Section 16 of the Audit Act does not specify particular reporting requirements, but Subsection (d) requires me to call attention to any matters I consider necessary to be brought to the attention of the Legislative Assembly. Accordingly, I submit the results of my audits completed in 1983/84 since my last Annual Report in the sections following this introduction.

11. PROGRESS IN COMPREHENSIVE AUDITING

11.1 When the Audit Act provided me with a mandate in 1981 to conduct comprehensive audits, I adopted a five year plan during which I intended to conduct overall audits of all departments and major agencies of government, as well as government-wide audits on a variety of topics such as cash management, records management and pension fund administration.

11.2 The Legislative Audit Committee allowed me three additional staff and a reorganization of the financial audit group added another four. Half my resources are now devoted to a second audit group, solely engaged in comprehensive auditing. Over the last few years substantial funds have been spent and much time has been devoted to staff training and to making our audit approaches more efficient and effective.

11.3 I am now entering the last year of the first cycle and it appears likely that I will meet my objectives of the five year plan, ending December 31, 1985. The remaining departments and agencies will be covered this year. The audits conducted in the first five years have given me good insights into the overall operations of each department. The second five year cycle will therefore be primarily devoted to more indepth audits of specific programs.

11.4 Program audits will require more precisely focused objectives, approaches and techniques. The transition from broad scoped departmental to program audits will begin this year and I may defer some major audits to the second cycle, to allow for experimentation with program audits.

11.5 Audits of government-wide scope will continue to be scheduled as issues emerge and manpower, now still in short supply, becomes available.

11.6 Many program audits will require technical expertise, not available in my office and I urgently request the Legislative Audit Committee to make more funds available to ensure that these audits will be of maximum effectiveness.

12. DEPARTMENT OF HEALTH AND SOCIAL SERVICES

INTRODUCTION

12.1 The results of my comprehensive audit of the Department of Health and Social Services are reported in two major sections: Department-wide issues and Divisional issues.

12.2 The activities of the Department are "soft", i.e. in the helping professions, the delivery of services is not always conducive to a business-like approach. It is difficult to define potentials for savings even though the departmental budget is large. Reductions in expenditures can only be attained through the enforcement of well established standards and criteria for eligibility, extent and quality of services provided, especially in those areas where worker judgement is to be relied upon. For this reason, my audit was heavily concentrated on the quality of management and supervision, the standard setting processes, and existing documentation and procedures.

DEPARTMENT-WIDE ISSUES

DEPARTMENTAL MANDATE

12.3 I accepted the Department's eight-point statement of objectives as a reliable interpretation of its mandate and as the basis for my audit. The objectives caused considerable problems throughout my audit, because of imprecise terminology and a lack of quantification.

RECOMMENDATION

12.4 I recommend that the Department conduct a formal annual review of its mandate and statement of objectives with a view towards increased clarity and quantification.

PLANNING

12.5 The Departmental planning processes are incomplete. Although, the upward flow of planning information within the organization is fairly well structured and organized, the formulation and communication of strategic and operational plans is either lacking or leaves much to be desired.

12.6 My overall assessment is that strategic planning is relatively informal. A documented strategic plan does exist but suffers from several deficiencies: it has not been updated for over two years; it does not describe the underlying strategic issues addressed nor does it deal with all issues; it does not indicate priorities; it does not provide for a monitoring process. Preferably it should be approved by Cabinet, but even if approval cannot be obtained, it should at least provide the Department with a clear sense of direction.

12.7 The operational planning process is also informal and lacks the explicit approval or formal restatement of directions proposed by the division managers. Part of the process should be to advise managers what they are expected to do, when to do it, the resources available to them and how their performance will be monitored and measured.

RECOMMENDATION

12.8 I recommend that the Department improve its strategic and operational planning.

DEPARTMENTAL MANAGEMENT INFORMATION SYSTEM

12.9 Over the years, considerable resources have been expended on designing and upgrading the management information systems. Several major systems are operating or are in the design stage. As well numerous subsystems of varying quality are operating within the Divisions, some are manual, others fully automated. Considerable improvements are needed.

12.10 Some reports are needed but are lacking in quality,others are redundant. I observed weaknesses in control over input, processing, and records management.

RECOMMENDATION

12.11 I recommend that the Department make efforts to enhance and coordinate overall management information flow; that redundant reports be scrapped; that input and processing controls be strengthened; that the Department prepare retention and destruction schedules for its routine paper flow and obtain approval from the Public Documents Committee of Cabinet.

PROGRAM EVALUATION

12.12 Most programs lack predetermined measures of effectiveness making program evaluation difficult. The Department has decided not to place a high emphasis on this function and as a result, program evaluation is carried out on an ad hoc basis.

RECOMMENDATION

12.13 **I recommend that the Department develop a practical, well planned and objective program evaluation function.**

HUMAN RESOURCE MANAGEMENT

12.14 The Department employs almost half the provincial civil servants. I observed weaknesses in the planning process and in the performance appraisal system. I made several **recommendations** to correct the problems.

DIVISIONAL ISSUES

FIELD SERVICES DIVISION

12.15 This Division accounts for more than forty percent of the Departmental budget. I made many significant observations concerning its overall administration, the delegation of authority, the handling of financial overpayments and the standards of services.

OVERALL ADMINISTRATION

12.16 My audit revealed a lack of accountability of regional directors to the division director. I observed numerous examples of inconsistencies in policy between regions and of contraventions of Departmental policies.

12.17 The overall administration of the Field Services Division is deficient in several ways. Standards or procedures are either lacking or not uniformly applied in regard to basic cash allowances, distribution of services, performance of caseworkers, and the quality of files. Overall, supervision must be strengthened.

RECOMMENDATIONS

12.18 I made many **recommendations** for improvement of the overall administration. I also recommended that departmental policies be applied uniformly in all regions and that deviations be subject to prior approval by the Division Director and the Deputy Minister.

DELEGATION OF AUTHORITY

12.19 A particular problem encountered in the division was the delegation of signing authority to supervisors and caseworkers. A number of examples were found where questionable or unauthorized delegation had taken place.

12.20 Inconsistencies in levels of assistance and regional policies as well as the risk of overpayments can, in my opinion, be directly attributed to the existing policy on delegation. This can be costly in a division that controls cash benefits totalling $20 million. Decentralization is necessary for the effective delivery of services, but it should be compensated for by stronger supervision and diligent central administration.

RECOMMENDATION

12.21 I recommend that Department-wide guidelines be developed for the delegation of supervisory and signing authority.

FINANCIAL OVERPAYMENTS

12.22 I observed that over the last four years overpayments to recipients of social assistance has increased by more than 300%. An ounce of prevention is worth a pound of cure. My audit indicated that although the number of prosecutions has increased, prevention has not been systematically dealt with and recovery policies have not been consistently enforced.

RECOMMENDATIONS

12.23 I recommend that prevention of overpayments receive strong attention and that recovery efforts be improved.

GENERAL WELFARE ASSISTANCE

12.24 One of the primary objectives of the Department and the one which impacts most heavily on the Field Services Division is to help recipients of social assistance in achieving a maximum degree of self sufficiency as quickly as possible. This can be achieved by individualized service plans that not only define monetary benefits but also the individuals needs and assistance required to make him self sufficient.

12.25 I observed that current policies and regulations are biased towards determining eligibility and financial assistance needed, rather than emphasizing assessment and counselling towards the achievement of self sufficiency. In many, but not all cases, this may simply mean a job.

12.26 As a result essential elements of the service plan, such as specific goals and target dates, were missing in many cases. Written assessments were excellent in some cases, poor in others. No reporting standards have been set.

12.27 It is realized that assistance, other than cash benefits, towards achieving self sufficiency can be costly, because it may require extensive and intensive contact between caseworker and client. Success however, could mean long range savings in terms of reduced financial assistance. It should also be noted that these long term savings may not be realized, because for each person leaving the system, another may enter, as long as high unemployment continues. It is therefore doubtful whether the benefits are worth the cost from a strictly financial viewpoint. Although from a policy viewpoint maybe other than financial considerations possibly should prevail, in this time of restraint the financial consequences should at least be recognized.

RECOMMENDATIONS

12.28 I recommend that standards for assistance to achieve self sufficiency in the shortest possible time be designed and documented as well as standards for additional benefits over and above general welfare assistance.

12.29 I recommend that a personalized service plan for each client be designed and documented in compliance with these standards.

12.30 I recommend that guidelines be set for the quality and frequency of file reviews by team leaders for financial assistance cases.

CHILD WELFARE

12.31 I reviewed the Child Welfare and Foster Home programs. I observed serious shortcomings as a result of a lack of guidelines and standards for the quality and frequency of contact between caseworkers and their charges. Therefore, too much reliance must be placed on the judgement and competence of individual caseworkers. I understand, however, that the Department is taking steps to develop review criteria.

12.32 Documented service plans do not exist for all cases. Serious deficiencies were noted in the Charlottetown office. Inadequate file review by team leaders appears to be at the root of the problem.

12.33 A shortage of foster parents exists in some regions because there is no systematic recruitment process and the responsibility for recruitment is not clearly assigned. Serious problems exist in screening and approval procedures for foster homes. In many cases there were no applications, no references, no medical certifications and no assessment of home conditions. A number of files contained no evidence of periodic reviews and none of the files had documented supervisory approval. The problems noted above are even more serious for children placed with extended families.

12.34 I do not question the sincerity and dedication of caseworkers but I do question the safeguards against problems. One extreme although isolated example was a three year old child that had already moved through ten different foster home placements.

RECOMMENDATIONS

12.35 I **recommended** that standards of care be documented, supervision and control be improved and that each case be handled on the basis of a documented service plan. I have also made other **recommendations** dealing with the management of the Foster Home Program.

JOB CREATION PROGRAM

12.36 The Program was initiated in late 1982 as a pilot project with the objectives to rehabilitate employable recipients of social assistance. I am concerned about the management of the program. Initial indications are that two critical assumptions are not being adequately monitored or are not materializing and that the costs per participant are higher than anticipated.

12.37 I found that a number of ineligible applicants were allowed to enter the program. In the first year alone, at least sixteen such placements were made.

RECOMMENDATIONS

12.38 I have made **recommendations** to reevaluate the costs and benefits of the Program, to tighten up processing controls and improve the timeliness of reporting. I have **recommended** that policies on eligibility be clarified and enforced and that action be taken on current program participants who are ineligible. Finally, I **recommended** that the program be evaluated and performance compared against the preestablished assumptions and effectiveness standards.

DIVISION OF EXTENDED CARE - PROVINCIAL HOMES

12.39 My review of accreditation reports indicated a consistent, high quality standard of care in the homes. However, the per diem cost in the provincial homes is much higher, almost 32%, than in the private sector. I also identified a potential problem relating to objectivity in the admission procedures.

RECOMMENDATIONS

12.40 I **recommended** that the Department conduct a study to determine the reasons for the cost differential between provincial and private sector homes and examine whether the differences are cost justified. I **recommended** improved procedures for admission and that the Admissions Committee should be restructured to include representation from outside the Division.

COMMUNITY HYGIENE

12.41 The Division is in part not achieving the purposes for which it was established. Not all listed eating establishments have been issued the necessary approval certificates, the regulations are not being stringently enforced and the Division is not operating as efficiently as it should.

12.42 I found that 25% of the establishments have not been issued approval certificates, half because they have not been inspected, and the other half because they failed to meet the standards. There are problems in enforcing the regulations. This could result from regulations not being

weighted in accordance with severity or in some cases from anticipated intervention. The divisional information system is inadequate to allow the Director to maintain the level of control necessary for an efficient operation.

RECOMMENDATIONS

12.43 I **recommended** that regulations be more stringently enforced and where necessary be revised. I also **recommended** that the efficiency of the Division be improved through better management information and the establishment of performance standards.

AUDITOR'S REPORT

12.44 The departmental mandate and objectives are very broadly defined and it is therefore difficult to state whether its purposes have been achieved. How much care the poor and the elderly should receive, for example, cannot enter into my judgement of how well objectives have been met. This judgement must of course be left to the politicians and the public.

12.45 It is obvious from the reported observations that much remains to be done, before I can state that the Department is operated economically and efficiently.

13. HOSPITAL AND HEALTH SERVICES COMMISSIONS

INTRODUCTION

13.1 The Health Services Commission administers the health care system of the province and in particular the processing and payment of physicians' claims. The Hospital Services Commission controls the funding of hospitals and thereby to some extent their efficiency and effectiveness. The two Commissions each with their own Board share an Executive Director, administrative staff and office space.

13.2 Some observations are common to both Commissions and are dealt with in the subsection on topics identical to both. Separate sections follow on subjects specific to the individual Commissions.

SUBJECTS IDENTICAL TO BOTH COMMISSIONS

PLANNING

13.3 I found little evidence to indicate that an organized strategic planning process exists. In fact one of the major recommendations in a study recently conducted by a sub-committee of Cabinet was to start long range planning.

13.4 Operational planning centers around the annual budget process which is focussed on maintaining the status quo of existing programs, adjusted for budget cuts under the current restraint program. In fact, of course, planning should be the basis for the budget rather than the other way around.

13.5 Management was aware of the need for planning and for several years endeavoured to obtain approval for a planning officer. Recently, approval was granted and a much needed updating of acts and regulations and the preparation of a policy and procedures manual has begun.

RECOMMENDATION

13.6 I recommend that a planning process be established and that strategic and operational plans be documented.

MANAGEMENT INFORMATION SYSTEMS

13.7 My audit indicated that the flow of management information to the Commissions was poor. Specific financial information on hospitals requested by the Commission was not provided as late as five months after the request. Other information which could be useful to management and the Commission is poorly presented, defeating the possibility of proper interpretation for planning purposes. Management recognizes the need for better information and I noted some recent improvements.

13.8 In 1982 a proposal for an integrated total health information system was presented to the Computer Priorities Committee. The Computer Services Division did not have adequate resources for the complete system, but did approve the computerization of the physician claims process, primarily because it would generate annual savings of $260,000. The system is planned for implementation possibly by the end of this year or at the latest in the spring of 1986.

HOSPITAL SERVICES COMMISSION

OUT-OF-PROVINCE REFERRALS

13.9 The cost of out-of-province referrals is rising steadily and represents a significant proportion of total costs. Among the reasons cited for the increase are: advances in technology and the need for medical expertise not locally available.

13.10 The obvious solution, to purchase new equipment and to attract specialists, must be carefully approached. My audit indicated that the available data are not systematically analyzed to provide the Commission with the information needed to make the correct decisions.

13.11 The Commission has a significant role to play in monitoring out-of-province referrals and in planning for future health care. The Commission should insist that management provides it with the information necessary for the discharge of these responsibilities.

RECOMMENDATION

13.12 I recommend that the Commission ensures that it receives the appropriate information needed to manage the hospital care system.

P.E.I. SCHOOL OF NURSING

13.13 In 1984 the Commission contributed $1.2 million towards the School's operating expenses. Submissions to Treasury Board stated as the School's objective: "the School's annual enrollment is restricted to sixty-five students based on our determination of the numbers required to maintain a practical complement of nursing expertise for our health care delivery system."

13.14 My audit indicated that half the graduates leave the province for employment elsewhere. If the stated objective was pursued, potentials for savings would exist. However, management indicated that considerable pressures from interest groups exist to provide nursing education on demand. With a waiting list of two years, this is apparently the practice being followed. The conflict between the stated objectives and the actual practice, however, should be resolved by higher authority, not by management.

RECOMMENDATION

13.15 I recommend that an evaluation be undertaken to relate nursing demands to enrollment or that the objectives of the School be redefined to reflect the reality of its operation.

INTERNAL AUDIT

13.16 The organization chart of the Commission includes an internal audit function. Two audit technicians are employed but their duties, assisting hospital accounting staff, checking invoices and monitoring expenditures, cannot be considered modern internal auditing. Yet, with budget responsibilities in excess of $60 million to fund seven hospitals a strong internal audit function should provide invaluable assistance to the Commissioners and management and should save its cost several times over.

RECOMMENDATION

13.17 I recommend that the Commission substantially strengthen the internal audit function.

HEALTH SERVICES COMMISSION

MANDATE

13.18 This Commission was established under our Health Services Payment Act, 1970. I noted that the Act does not reflect the replacement of the federal Medical Care Act with the new Canada Health Act. Neither does our Act reflect or refer to criteria and conditions which must be met to qualify for funding under the new Federal Act. Also, our Act allows extra billing not permitted by the Federal Act. I understand that proposed revisions are now being drafted.

RECOMMENDATION

13.19 I recommend that any changes to our Act meet the criteria and conditions for federal funding.

PHYSICIAN SERVICES

13.20 Ninety-five percent of the $18 million budget is used for payments of claims. The Commission relies heavily on clerical review performed by

non medical personnel. The claims are checked for eligibility, coding, clerical accuracy, etc.

13.21 Only a physician can evaluate the medical necessity of treatments and referrals, identify situations where patients utilize physician services too often or where physicians treat too many patients, prescribe too many tests, etc. It is the responsibility of the staff to ensure that the medical advisor is provided with the appropriate information to make these assessments.

13.22 Profiles of physicians practices and patients amongst others are far more important for the efficient and effective operations of the Commission than clerical verification. Yet the medical advisor position was left vacant for over a year. Presently a part-time advisor is in place. For maximum effectiveness the medical advisor should be as independent of the local medical profession as possible. Efforts by the Commission to hire a full-time advisor were not approved.

RECOMMENDATION

13.23 **I recommend that the Commission continue its efforts to attract a full-time, rather than a part-time, advisor in order to achieve cost effectiveness of medical services.**

AUDITOR'S REPORT

13.24 I do not underestimate the responsibilities of the Commissions. Nor do I underestimate the difficulties of making decisions in an environment rife with complex issues and with conflicting opinions of many individuals and special interest groups. However, improved planning processes and management information systems will greatly enhance **effectiveness.**

13.25 My report raised several issues affecting **economy** and **efficiency** and my recommendations provide input for improvement.

14. DEPARTMENT OF AGRICULTURE

INTRODUCTION

14.1 During the year I performed three audits concerning agriculture, the results of which are reported in the following sections:

- the overall departmental operations.
- the Animal Industry Branch
- the cole crop program

OVERALL DEPARTMENTAL OPERATION

DEPARTMENTAL MANDATE AND OBJECTIVES

14.2 The mandate is to maintain and where possible improve the competitive position of our agricultural industry.

14.3 In order to guide its activities the departmental mandate is broken down into a hierarchy of objectives: strategic, tactical, commodity and branch objectives. The common thread of the overall goal was evident in all of them, but it was difficult to assess their completeness and integration.

14.4 Most objectives are not quantified and hence not measurable. Where objectives are quantified, accountability and performance measurement are lacking.

RECOMMENDATIONS

14.5 I recommend that the Department review its objectives to ensure that they are integrated and fully reflect the mandate.

PLANNING

14.6 In 1980 the Department developed a strategic planning document "Agricultural Policy in the 80's". It has now developed a draft report on "Agricultural Planning Issues 1984-1989" and commodity team reports as part of its planning process. Following are some observations from a review of these documents:

- Commodity team reports did not distinguish between old and new programs.
- Implementation planning was vague and inconclusive.
- The lack of marketing emphasis was inconsistent with stated departmental priorities.
- Cost benefit analyses were lacking.
- A framework for evaluation was not defined.
- An indepth post evaluation of the 1980 plan, an important input to future planning, was missing.

14.7 Planning must always closely involve farmers and farm organizations, because in my opinion the supply management, i.e. the growing of adequate supply of the right quality, is the biggest problem in agriculture.

RECOMMENDATIONS

14.8 Several **recommendations** were made concerning strategic and operational planning processes and some critical components such as cost benefits, performance standards, monitoring and evaluation as well as the need for documentation.

MARKETING

14.9 Departmental management has repeatedly stated that marketing should be the number one priority. In my opinion separating marketing from supply management can be costly to both farmers and government.

14.10 Marketing activities are substantially lacking in depth contrary to the high priority set by the department. This became apparent from a review of files and interviews with staff. Many meetings are held with producers and considerable financial support is given to individuals and organizations. Yet, I found no evidence that they resulted in well planned detailed commodity marketing programs.

14.11 It is largely a myth that marketing and processing by producer owned organizations will put more money into the farmers pockets; quite often the opposite is true, especially where sales volumes are small. In that case dealing with established processors and dealers is likely to attain best returns to the farmer.

RECOMMENDATIONS

14.12 I recommend that in the planning process, planning for supply management and marketing be completely integrated.

14.13 I recommend that in marketing optimum use be made of existing processors and sales organizations.

EXTENSION SERVICES

14.14 This is the largest Branch in the department. Its objective is to provide information and services to improve productivity and increase farm income. Opinions about the effectiveness of the branch within the farming community vary widely, from considerable satisfaction to complete dissatisfaction. It appears that the Branch has a problem that needs to be resolved.

14.15 Seventy-five percent of its work is related to the capital grants program. This is an impediment to the main objective, i.e. delivery of information and advice. Supervision over field staff is poor. Staff are not held accountable nor is their work evaluated. This creates a high risk of inefficiency and ineffectiveness. Furthermore, information requests are not logged and service plans for individual farmers did not exist. No record of services provided is kept and minimum service standards have not been developed.

RECOMMENDATION

14.16 I recommend that the Branch improve its efficiency and effectiveness in the light of above observations.

LIMESTONE INCENTIVE GRANTS

14.17 In view of the unusual soil acidity in the Province, a grant of $11 per ton of lime purchased is available to anyone who farms five acres or more. In 1982/83 grants totalled $700,000.

14.18 I observed that no statistics are kept on the number of individuals receiving grants and that evaluations or inspections to determine that soil acidity has been reduced to the proper level are not performed.

RECOMMENDATION

14.19 I recommend that the effectiveness of the grants be evaluated to ensure that maximum benefit is provided to the agricultural community.

AUDITOR'S REPORT

14.20 For lack of sufficient and quantified data and of evaluations I cannot state that the Department has achieved its purposes.

14.21 Neither can I state that the Department is operated economically and efficiently, because my audit revealed too many instances of a lack of planning, supervision and control.

PROGRESS ON IMPLEMENTATION

14.22 My audit field work was completed in November, 1983. Since then, management has made many improvements. My review of recent planning documents indicates that my concerns regarding objectives and planning have been eliminated.

14.23 Management has informed me that marketing activities are well taken care of on a commodity basis and that my observations on extension services have been considered. The problem of excessive time spent on the capital grants program has been eliminated. In management's opinion it is impractical to log requests for information to prepare service plans for individual farmers and to keep a record of services provided.

15. DEPARTMENT OF AGRICULTURE

ANIMAL INDUSTRY BRANCH

INTRODUCTION

15.1 The Branch is responsible for maintaining and improving the health and productivity of livestock. The 1984/85 Budget is $2.2 million. Its major components are: $900,000 paid to private veterinary clinics; $770,000 for operating three laboratories and $116,000 for the Swine Inspection Program.

DAIRY LABORATORY

15.2 To ensure a high quality of dairy products, the laboratory examines milk samples and inspects farms. Producers, processors and veterinarians, generally stated that quality control is **inadequate.**

15.3 **Inspection:** The former Chairman of the Dairy Producers Association stated that the vast majority of producers are shipping **top quality milk** but it only takes one bad farm tank to spoil a load. This statement clearly sums up the importance of the inspection program. Regular inspections of dairy farms is limited to fluid producers only. However industrial producers representing 50% of the number and 85% of total production are **not** regularly inspected.

15.4 **Enforcement** of farm inspection regulations is unsatisfactory. Estimates indicate that 10% of fluid producers and 15% of industrial producers would be facing shut-off if the regulations were enforced. Inspections appear to be either too lenient or the quality control regulations are not enforced. Lack of enforcement of dairy farm regulations can not be taken too lightly. It discourages good farmers from producing top quality milk and may jeopardize the reputation of the industry as a whole. The forms used in conducting farm inspections can result in highly subjective assessments because weighted criteria have not been defined.

15.5 **Sampling and Testing:** The secret of effective testing is to collect a sample of each pick up and to test those randomly. Apparently an element of predictability has crept into the existing testing procedures. As a result farmers have a fair idea when their milk might be tested. I was told that a major problem existed preventing random testing, i.e. a lack of space at the Lab to store daily samples of all pick ups. In my opinion this can easily be overcome by a more astute selection approach. Furthermore, the new Community Services Lab has the facilities.

15.6 **Dairy Herd Analysis System:** Its objective is to enroll 80% of all producers on a milk recording analysis program aimed at improving the productivity and profitability of the dairy industry. Presently only 40% of the producers are enrolled, because the Lab cannot handle any additional work load. Also Somatic Cell Counts to identify mastitis, a leading cause of decreased milk production, are not conducted despite the fact that P.E.I. has one of the highest average counts in Canada.

RECOMMENDATIONS

15.7 Several **recommendations** were made concerning random sampling; upgrading of the Dairy Laboratory; increased inspections and strict enforcement of regulations in the interest of the dairy industry as a whole.

VETERINARY PATHOLOGY AND MICROBIOLOGY LABORATORIES

15.8 Both Laboratories use the Canadian Workload Measurement System to analyze and measure its activities. Management however does not use the information to control productivity, identify areas of increased demand, introduce methodology changes, formulate staff projections, or determine space requirements.

15.9 I understand that both Laboratories may be transferred to the Veterinary College sometime in 1986 or 1987. The Microbiology Laboratory performs certain analysis for the Dairy Lab. The transfer will have a direct impact on the workload of the latter.

RECOMMENDATION

15.10 **The Branch should review the consequences of the proposed Lab transfers and ensure that services provided to the farming community will be maintained.**

VETERINARY ASSISTANCE PROGRAM

15.11 This Program was established in 1951 to provide veterinarian services across the province. It covers herd health, clinical services and meat inspection. Total cost of the program was $900,000 in 1982/83, of which $212,000 was paid to veterinary clinics for clinical services, $113,000 was paid as part of the preventative Herd Health Program cost shared with the federal government, and $440,000 was spent on travel, an average of $20,000 per veterinarian.

15.12 Administrative controls over the program are weak. Invoices to farmers, who are paying part of the costs, are not matched with veterinary claims. I also noted that very little control over travel claims from veterinarians is exercised.

15.13 No evaluations of the Herd Health Program have been made even though performance indicators such as participation and reduction of incidence of disease were identified in the cost sharing agreement. Neither has the Clinical Services Program, in existence since 1951, been evaluated.

15.14 The objective of the Veterinary Assistance Act has been met and its purposes achieved. In 1953 there were five veterinarians. Today twenty-three veterinarians are located in six clinics across the Island with the livestock population relatively unchanged.

RECOMMENDATIONS

15.15 My **recommendations** covered: a **sunset review** of the Veterinary Assistance Act; an evaluation of the Herd Health Program and improvements in clerical procedures.

SWINE INSPECTION PROGRAM

15.16 The intent of this program is to ensure that only swine, certified free of disease, are imported. For that purpose inspectors are employed to maintain around the clock surveillance at both ferry terminals. Certified swine must be transported to quarantine stations for a period of sixty days. The budget in 1984 was $116,000 of which $86,000 was for salaries of inspectors.

15.17 There is little or no control to prevent swine from being illegally transported into P.E.I. and little control to ensure that trucks carrying certified swine actually go to a quarantine station. There is no control to ensure that inspectors are on duty nor is a meaningful review of inspectors shift reports conducted to ensure that those on duty are working.

15.18 The President of the P.E.I. Swine Breeders Association expressed his belief that the program was ineffective, that swine are being illegally imported into P.E.I. and that inspectors are often at home collecting pay instead of being on duty.

RECOMMENDATION

15.19 **The Department should reassess the need for this program as it appears to be ineffective and a total waste of money.**

PROGRESS ON IMPLEMENTATION

15.20 My audit report was submitted in July, 1984. I am satisfied that management is taking action on my recommendations and has made progress towards implementation. One important exception should be noted. While management agrees that universal sampling is a priority, it is of the opinion that implementation must be postponed until expanded lab facilities and new equipment become available. I disagree. Too much is at stake. In my opinion, a more practical approach to universal sampling is feasible either under the present lab conditions or in other existing facilities. I urge management to reconsider its standpoint.

AUDITOR'S REPORT

15.21 Our audit indicated that existing inspection and sampling procedures for the dairy industry are not as effective as they should be. There is a lack of performance measurement in the Laboratories. The Swine Inspection Program as it exists is a total waste of the taxpayers dollars. The Veterinary Review Assistance Act may have outlived its usefulness. Because of these factors, I must state that the Animal Industry Branch has not achieved its purposes nor is it operating economically and efficiently.

16. DEPARTMENT OF AGRICULTURE

COLE CROP PROGRAM

INTRODUCTION

16.1 In 1981, I performed an audit of the Market Development Centre and became aware of substantial losses incurred by its subsidiary, Ward Holdings Limited. The subsidiary operated an interim processing facility in the former Langley Plant in Montague. The objective was to prepare the brussel sprouts harvested, for delivery to customers: Graves Limited and Cavendish Farms. Ward Holdings Limited operated only those parts of the Langley facilities suitable for its purposes.

16.2 In 1982, I therefore decided to perform an audit of this program. Because the basic facility and processes appeared to be in place and 1983 promised to be a more successful year, I suspended the audit. 1984 was expected to be an excellent year, so much so that serious discussions were underway to construct a completely new processing facility that would include the freezing of brussel sprouts for the market. But because the 1984 crop proved to be a dismal failure, I decided to complete my audit.

16.3 The Cole Crop Program covers the growing of brussel sprouts, cauliflower and brocolli. I limited my audit to a review of the growing of brussel sprouts, i.e. its supply management, because a limited review indicated that the most severe problems existed in that part of the program.

BACKGROUND

16.4 Growing cole crops is attractive to small farmers, i.e. family farms. The Department of Development in 1970 already defined it potentially as a desirable crop. It found Simplot, a well established American processing firm, willing to establish a processing facility under the condition that sufficient acreage would be guaranteed. Nothing was done until 1975, when at a meeting sponsored by the Market Development Centre, potentials for cole crops were defined. In 1977 a policy paper again focused attention on those crops. Nothing happened.

16.5 In 1979 the private sector took matters into its own hands and decided to grow brussel sprouts. A private entrepreneur intended to process the crop in the former Langley Plant and approached the Department of Industry for financial support, which he received in part. Ultimately funding for harvesters and boxes however was not forthcoming in time for an imminent harvest. A crisis situation arose for the twelve growers, who could not prepare their product for delivery to the processor.

16.6 Government provided a subsidy of $56,000, in order to bail the farmers out. The alternative to have the farmers plow their crop under and pay them $36,000 - the amount they ultimately realized - was considered but not acted upon in order not to jeopardize future contracts with processors. If it would have been acted upon, it would have saved government $18,000 and would have bought the Department sufficient time for serious planning towards a viable cole crop industry.

PLANNING

16.7 A strategic planning document called "Agricultural Planning for the 80's" describes the problem, "The drawback seems to lie largely in putting together a production and marketing system." It establishes as a long term objective: "To reestablish the cole crop industry and its related processing in the Province." The wording inherently recognizes the close link between production or supply management and marketing.

16.8 From the foregoing there is ample evidence that the Department had sufficient time to do constructive planning. Yet, in the words of the former manager of the P.E.I. Marketing Council, the problems seemed to have been resolved on the basis of "we do a bit, they do a bit". I found little evidence of formal or informal supply management planning, either for the long or short term.

16.9 Only the interim processing seems to have been efficiently resolved by Ward Holdings as became evident after an inspection I made of the physical plant in operation.

PROGRAM EVALUATION

16.10 An important component of any program is the evaluation of actual versus planned performance. Evaluations should be an integral part both of the long and the short term planning. The strategic planning document "Agricultural Planning for the 80's" has established the number of acres planned for 1984 at 400; actual acres grown were 129. Planned yield per acre was 6,000 pounds; actual over the years averaged only 3,200 pounds per acre.

NEW PROCESSING PLANT

16.11 The strategic planning document made provision for a new processing facility expected to cost $500,000. Because of the poor 1984 crop year, construction was postponed. It is obvious from my observations that a new plant could be a loosing proposition at this stage. The acreage under cultivation has gradually declined from 240 in 1981 to 129 in 1984 and the average yield was only half of the expected yield. I suggest that before construction of new facilities is even considered, the potential of a viable brussels sprout industry must be proven and must be supported by a stronger commitment of the farming community.

16.12 The cost of the program between 1979 and the present is estimated at $750,000. This works out to a subsidy of $900 per acre per year.

RECOMMENDATIONS

16.13 I made many **recommendations** aimed at long and short term planning for a viable brussels sprout industry, controlling and monitoring progress during inplementation, etc. I also **recommended** that Ward Holdings continue handling the processing or other alternatives be explored before considering the construction of new facilities.

AUDITOR'S REPORT

16.14 The program has fallen far short of its objectives, was not operated economically and efficiently, and most of the $750,000 was wasted.

17. GARDEN PROVINCE MEATS INC.

17.1 On October 17, 1983 the Province took over the operations of the Canada Packers Plant in Charlottetown. The fixed assets were acquired at a nominal charge of $1. Under an arrangement with the Province, Canada Packers would supply working capital and assist in managing the operation and the Province would assume responsibility for the losses. These were covered by appropriations to and paid by Industrial Enterprises Incorporated. On June 1, a newly incorporated Crown Corporation took over the operation of the plant.

17.2 Unaudited information obtained from management shows losses incurred or projected between October 17, 1983 and March 31, 1985 were:

October 17, 1983 to May 31, 1984 - Actual	$1,100,000
June 1 - November 30, 1984 - Actual	650,000
December 1, 1984 - March 31, 1985 -projected	510,000
TOTAL	$2,260,000

This represents a loss of $30,000 per week.

17.3 The plant processed on the average 2,800 hogs and 100 head of cattle per week or 2,900 animals in total. The losses incurred can be translated into an average subsidy of $10 per animal slaughtered.

17.4 It will take modern processing facilities in order that the livestock industry may survive. Continuing subsidies will be required unless: a volume of slaughter animals will be available for processing, sufficient to utilize the plant capacity at break even point and costs can be kept low.

17.5 Construction of a modern kill and chill plant is in the planning stage. From interviews during my audit of the Department of Agriculture, I understand that the United States, the major outlet, is threatening to bar import of Canadian hogs because subsidies paid in Canada create "unfair competition" for its producers.

17.6 Generally the meat processing industry in Canada is in trouble and is facing severe competition from the United States and other countries. The main volume will have to come from the hog industry which over the last ten years has required an average subsidy of $3 per animal. Although attempts are being made to strengthen the industry by a new Hog Incentive Program, its success has not yet been proven. A freight subsidy to enable off-Island slaughtering was not considered to be a viable alternative to a local processing facility.

17.7 The Department of Agriculture already subsidizes **the Hog Stabilization Program** with the objective to stabilize the income of the producer. The program covers 800 producers with a total annual output of 150,000 hogs. The new plant will require even higher production of hogs increasing the need for more subsidies under this program.

17.8 Since the introduction of the program in 1974 the Province has contributed $4 million and the producers $1.5 million. In 1982/83 the Province paid $473,000 into the program and $1.1 million in 1983/84. At December 31, 1983 the deficit in the fund was $1.8 million. The Province has also guaranteed a $1.7 million bank loan.

17.9 Many producers have proven that they can deliver a top quality product. However, high quality standards should be set and enforced and the livestock industry as a whole should organize itself to meet the challenges presented by the new plant. If this is not done, the province will have to face continuing subsidies.

RECOMMENDATIONS

17.10 I recommend that the Department of Agriculture provide leadership for planning the livestock industry in close consultation with the producers, that it ensure a new plant is viable and that quality and quantity demands of this plant will be met.

17.11 I recommend that the Hog Stabilization Program be evaluated with a view towards minimizing losses.

18. PRINCE EDWARD ISLAND ENERGY CORPORATION

INTRODUCTION

18.1 The Corporation was established under the Energy Corporation Act 1978. Its objective is to reduce the dependence on imported oil by the utilization of locally available energy sources. Reduction of oil imports save the federal government $8 to $10 per barrel in subsidies.

PLANNING

18.2 In 1980 the Corporation issued a statement entitled "Towards a Five Year Plan", that outlined the need for a long term plan. No action was taken and in 1983 Executive Council directed the Corporation to "develop for Executive Council's approval, a five year plan with specific objectives, time tables and funding requirements for energy initiatives..." Again, no action was taken. However, in late 1984 as a result of my audit, a Committee of the Board was established to prepare a long term plan.

18.3 Little evidence was found of formal annual planning and I was told that the budget process in fact is the annual planning process. I observed, however, that individual projects are well planned.

RECOMMENDATIONS

18.4 I recommend that the Corporation prepare and document a long term plan for approval by Executive Council, and annually review and update same as required.

18.5 I recommend that the Corporation prepare and document an annual operating plan based on its long term plan.

18.6 I recommend that the Corporation conduct variance analysis throughout the year to determine reasons for deviations from the plan as an important tool towards improved management.

ENERGY FROM WASTE PLANT

18.7 This has been the largest project undertaken by the Corporation. The plant costing $10 million was financed by a federal grant of $4 million, a provincial grant of $500,000 and a provincial loan of $5.5 million. It is anticipated that the loan will be fully recovered from operations. The Corporation was unable however to prove this to my satisfaction for the lack of updated cash flow projections.

18.8 The Plant serves a dual purpose; garbage disposal and steam generation. Not having to operate landfill sites saves the Department of Community and Cultural Affairs $275,000 annually, which amount is paid to the Corporation as a grant. Steam generated from garbage collected in the Greater Charlottetown area is sold at oil equivalent prices to the Queen Elizabeth and Hillsborough Hospitals.

18.9 There is a seasonal mismatch between energy requirements and available garbage. In winter, some wood has to be purchased; in summer not all energy generated is usable. The Corporation intends to increase plant efficiency by generating electricity from surplus energy.

18.10 The Plant is a good example of cooperation between government and the private sector. Tricil Limited, a company with a proven record on similar projects in Hamilton and Montreal, was retained to design, construct and operate the plant. Operations began in April 1983 and formal evaluations by Tricil and an independent engineering consultant a year later indicated that targets for production, landfill site reduction, steam delivery and oil displacement were exceeded and that operating costs were within budget, no unscheduled down time occurred and all environmental standards were met.

18.11 The benefits of the project are: annual displacement of 15,000 barrels of imported oil; a 90% reduction in landfill sites; $4.6 million paid to local contractors and manufacturers for construction and fabrication; and full time employment for 12 employees.

18.12 Interesting additional features are that specialized manufacturing capabilities were developed by the Georgetown Shipyard and that techniques were patented placing the Shipyard in a position to bid on similar projects elsewhere. This is a good example where overall government cooperation and coordination has led to substantial benefits.

RECOMMENDATIONS

18.13 I recommend that updated cash flow projections be prepared for this project.

18.14 I recommend that the Corporation ensure that surplus energy is used in a cost beneficial manner.

OTHER ACTIVITIES AND PROJECTS

18.15 The Corporation is involved in a number of **research** projects and studies such as: the Kings County Memorial Hospital Wood Fuel Heating System; the Farm Energy Conservation and Energy Alternative Demonstration Project; the Montague Junior High School Demonstration Project.

18.16 Projects under development being considered for **implementation** are; a District Heating Study Proposal; Mount Pleasant Wind Farm; and Wood Fuel Production.

18.17 The renewable energy initiatives program is designed to fund conservation projects as well as "one of a kind" demonstrations with emphasis on the use of renewable resources. Projects are solicited through the local media. Grants normally cover one-third of the cost of the project and the full cost of monitoring and evaluation.

18.18 The prime objectives of this program are to demonstrate promising renewable energy technologies, to develop public awareness and understanding of these technologies and to create employment in new or existing industries. It is expected the demonstration projects will provide a catalyst for commercial application and for local manufacture of new equipment, generating potential for additional employment.

AUDITOR'S REPORT

18.19 The Corporation is achieving its objectives. It is well managed and appears to be operated economically and efficiently.

19. DEPARTMENT OF FISHERIES AND LABOUR

LABOUR DIVISION

INTRODUCTION

19.1 The Division is responsible for administering ten acts, dealing primarily with training needs, employment standards, industrial relations, safety inspections and accident prevention. Its activities and budget were substantially reduced in 1983 when the Manpower Resources Branch was transferred to the Department of Industry.

19.2 My audit concentrated on departmental management practices and on procedures in place for monitoring compliance with legislation.

LABOUR MANAGEMENT RELATIONS BRANCH

19.3 This Branch provides services aimed at improving communication and preventing conflicts between labour and management.

19.4 It also provides services to Labour Management Committees. Committee representatives indicated to me that this assistance is very useful in reducing disputes in the bargaining process.

RECOMMENDATION

19.5 I recommend that the Branch increase its effectiveness by encouraging the establishment of additional Labour Management Committees and increase its efficiency by transferring work now performed by its staff to the Committees.

BOILER INSPECTION

19.6 Public safety is served by periodic inspection of boilers, pressure vessels and related equipment and by ensuring that operators are qualified. My review indicated that this section is discharging its duties economically and efficiently.

19.7 A new Boiler and Pressure Vessels Act was assented to April 24, 1981. At the time of my audit it had not been proclaimed, but I have now been informed that Executive Council has decided to proclaim the Act July 1, 1985.

PROGRAM EVALUATION

19.8 A system for evaluating program effectiveness was not operating as designed. Some "informal" evaluation is being performed by the Assistant Deputy Minister.

RECOMMENDATION

19.9 I recommend that the Division implement an appropriate program evaluation process.

AUDITOR'S REPORT

19.10 With the exception of the relatively minor items recommended above, I found that good management practices were in effect and that the Division meets its statutory requirements in a satisfactory manner.

19.11 The Assistant Deputy Minister of Labour has responded positively to my recommendations and I am satisfied that they are being dealt with.

20. DEPARTMENT OF JUSTICE

INTRODUCTION

20.1 Last year I audited the Corrections Division and this year the remaining eight branches of the Department. Departmental activities covered the full scope of the administration of justice, including Courts, Jails, and Legal Aid, as it was allocated to the Province in the Constitution Act 1867. The budget is $9.7 million including $3.7 million for Law Enforcement; $2.2 million for Corrections; $1 million for Probation and Family Courts and $1 million for Judicial Services.

YOUNG OFFENDERS ACT

20.2 In 1984 the federal government proclaimed the Young Offenders Act. Its main features are an increase in the minimum age of juveniles from seven to twelve years and an increase in the maximum age to eighteen. The Act decrees separate detention for young and adult offenders.

20.3 Negotiations between the Federal Government and the Provinces are still underway and changes in age limits and incarceration requirements may result, possibly eliminating the need for costly additional facilities.

20.4 Implementation of the federal act as it stands at present could cost as much as $4 million for new facilities and could increase operating costs by $400,000. Planning for implementation of the Act can of course not be completed until federal-provincial negotiations are finalized.

JUDICIAL DIVISION

20.5 Its objective is to provide efficient court services to the Supreme and Provincial Courts.

20.6 The physical separation of the offices of the Department and the Division and its **dual accountability** to the Judiciary and the Department necessitate a more structured approach to administration.

20.7 Commercial documents are registered for the protection of the public. **Effective protection** suffers because records are registered using a manual system at three separate locations. Computerized records, centrally kept, are feasible and would make the system more accessible and efficient thus improving the protection of the public.

20.8 Registration fees fall short of the cost of the services. **Increased revenues** of $100,000 could be expected from user fees commensurate with the costs.

20.9 The intent of the Small Claims Court - informal, cheap and fast settlement of small claims - is not being met because the public is either unwilling or unable to perform the procedures by themselves. This system is inefficient, because the staff and even the Prothonotary himself must do much of the work intended to be done by the public.

20.10 Lack of control over the Sheriff's activities has resulted in delays in acting upon execution orders.

20.11 At year end $365,000 in fines receivable were outstanding. Half the fines were past due and had warrants for arrest outstanding against

them. Management control over collection and accounting for fines and on execution of warrants is far from adequate. Lost interest as a result of the neglect can conservatively be estimated at $12,000 per annum.

RECOMMENDATIONS

20.12 Various **recommendations** were made including: the creation of a Planning Committee; computerization and centralization of document registration; an adequate fee structure; simplification of Small Claims Court procedures; a simple reporting system for the Sheriff; implementation of an accounting system and an appropriate management system for the Provincial Courts.

PUBLIC DEFENDERS OFFICE

20.13 Free legal services for criminal and family cases are provided by this Office. I observed that many applications for aid are incomplete and that essential information is missing.

20.14 The Public Defender contends that sufficient questions are being asked to prevent abuses. The National Legal Aid Liaison Committee of the Canadian Bar Association recommends that first appearances and simple matters should be provided without an assessment of financial eligibility. However, it is my opinion that this type of information should be documented at least for review purposes and future reference. Furthermore, insufficient documentation could jeopardize federal cost sharing.

RECOMMENDATIONS

20.15 I recommend that eligibility guidelines for legal aid be established and that applications be properly completed and signed.

OTHER MATTERS

20.16 **Planning:** Planning processes are rather informal. Formalizing the process in an adequate document would assist in overall government planning and strengthen the budgeting and control processes, because it requires continuous indepth assessment and rationalization of programs and the definition of better or cheaper alternatives.

20.17 **Probation and Family Court Services Division:** Adequate performance standards are established for probation officers but not for family counsellors. Proper standards would facilitate planning for and control over staff utilization.

20.18 **Legal Services Division:** Direction from Cabinet to Departments and agencies to make more extensive use of in-house legal services, rather than private law firms, could have saved the government $120,000 in 1983/84. In my opinion an indepth survey of legal needs of departments and agencies could limit risk exposure and prevent conflicts from arising. This could enhance the usefulnmess of the Division to government.

20.19 **Insurance Division and R.C.M.P. Contract:** My audit indicated that both are well administered.

RECOMMENDATIONS

20.20 A number of **recommendations** for improvements in the matters reported above were made.

AUDITOR'S REPORT

20.21 In my opinion, the Department of Justice is achieving its purposes. I am satisfied that the Department handles its activiites in an economic and efficient manner with the exceptions noted in this section of my report.

21. DEPARTMENT OF EDUCATION

A SEQUEL TO THE COMPREHENSIVE AUDIT

21.1 About the time I completed my comprehensive audit of the Department of Education, the Minister established the Paquette Commission to review the structure and organization of and public satisfaction with the school system. I was pleased to note that the Paquette Report, released recently, substantiated many of my findings and recommendations and that the high credibility of my audit observations and recommendations were demonstrated by this independent observer.

21.2 The similarity in conclusions did not surprise me, because the affairs of the school system and the department are closely interwoven. Like my audit the report strongly emphasized the need for comprehensive long term planning, a review of the Foundation Program and an evaluation of the outputs and performance of students and teachers.

21.3 Implementation of some of my key recommendations, concerning long term planning, the Foundation Program, and evaluation was postponed until the Paquette Report was completed. To deal with these and other matters the Minister has now appointed a Steering Committee.

RECOMMENDATION

21.4 I recommend that the Minister personally monitor the progress of the Steering Committee and ensure that prompt implementation and action be taken.

REPORTS ON FINANCIAL AUDITS

22. INTRODUCTION TO FINANCIAL AUDITS

22.1 Section 13(1) of the Audit Act establishes my mandate for financial audits of the Public Accounts, of the financial statements of Crown controlled or owned corporations, and of the trusts and funds held by any agency of government insofar as they are not subject to financial audit by an external auditor.

22.2 In financial audits the Auditor, after an examination of records in accordance with the standards prescribed by his profession, expresses an opinion on the financial statements prepared by his client.

22.3 During his examination the Auditor may observe problems in the quality of records and financial controls. He may also observe problems in other areas. Any deficiencies or other matters are reported in a management letter addressed to the client.

22.4 Section 16 of the Audit Act determines my reporting duties to the Legislative Assembly. Accordingly I submit the results of my financial audits for the year ended March 31, 1984 in the sections following this introduction.

23. PUBLIC ACCOUNTS

AUDITOR'S REPORT

23.1 Section 13(1) of the Audit Act states:

"the Auditor General shall audit, in such manner as he considers necessary, the accounts and records of the receipt and disbursement of the public money forming part of the Consolidated Fund, and the assets, liabilities, revenues, expenditures, trusts and funds held by any agency of government or Crown controlled or owned corporation insofar as it is not subject to financial audit by an external auditor."

23.2 The following Auditor's Reports were submitted for publication in the Public Accounts for the year ended March 31, 1984. Following is my report for the **Consolidated Fund:**

"I have examined the balance sheet of the Consolidated Fund of the Province of Prince Edward Island as at March 31, 1984 and the statements of revenues and expenditures and net debt for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances except for any limitations in scope noted in my report to the Legislative Assembly.

In my opinion, except for my comments in the Public Accounts Section of my report to the Legislative Assembly, these financial statements present fairly the financial position of the Consolidated Fund of Prince Edward Island as at March 31, 1984 and the results of its operations for the year then ended in accordance with the disclosed basis of accounting referred to in the basis of reporting notes to the financial statements, which basis is consistent with that of the preceding year."

23.3 In addition I have examined the consolidated financial statements which combine the financial statements of the **Consolidated Fund, Crown Corporations and other Provincial Agencies.** Following is my Auditor's Report:

"I have examined the balance sheet of the Consolidated Fund, Crown Corporations and other provincial Agencies of the province of Prince Edward Island as at March 31, 1984 and the statement of net

debt for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances except for any limitations in scope noted in my report to the Legislative Assembly.

In my opinion, except for my comments in my report to the Legislative Assembly these financial statements present fairly the financial position of the Consolidated Fund,Crown Corporations and other Provincial Agencies of Prince Edward Island as at March 31, 1984 in accordance with the disclosed basis of accounting referred to in the basis of reporting notes to the financial statements, which basis is consistent with that of the preceding year."

LIMITATIONS IN SCOPE - FEDERAL TAX SHARING

23.4 Again this year I have been unable to audit revenues of over $220 million received from the Government of Canada consisting mainly of personal and corporate income tax collected on behalf of Prince Edward Island, equalization payments, and established program financing. I cannot audit these revenues because they are based on tax records and statistics which are under control of the Federal Government. For this reason, I am relying on work performed by the Auditor General of Canada to provide assurance that income taxes are fairly stated and on a confirmation received from the federal authority to ensure that all revenue received was in fact recorded.

AUDIT OBSERVATIONS AND COMMENTS

23.5 Following are my audit observations along with some comments. Many of these items are of substance and they should be carefully considered in conjunction with the review of the Public Accounts.

ALL FUNDS BALANCE SHEET - CROWN AGENCIES

23.6 The All Funds Balance Sheet combines the balance sheet of the Consolidated Fund with the balance sheets of a number of Crown Agencies. Section 52(2)(e) of the Financial Administration Act states that the Public Accounts shall include a statement of assets and liabilities which consolidates the accounts of the Consolidated Fund and such of the Crown Corporations named in Schedules B and C as the Minister may determine. Not all the Crown Agencies listed in Schedules B and C of the Financial Administration Act are included in the consolidation.

23.7 The basic reasoning for their exclusion has been explained to me and although from a viewpoint of full disclosure I do not agree entirely with the reasons for the exclusions, the wording in the Financial Administration Act at present does give discretion to the Minister.

23.8 There is a further problem in that Schedules B and C do not list all significant Crown Corporations and Agencies. The Act defines Crown Corporation as a corporation that is accountable through a Minister to the Legislative Assembly for the conduct of its affairs and includes the corporations named in Schedules B and C. There are a number of entities which could fall under this definition but which are not included in the schedules. In my opinion, the lists should be expanded to include at least the following:

1. The Prince Edward Island Heritage Foundation
2. The Charlottetown Area Development Corporation
3. The Summerside Waterfront Development Corporation

Further in my opinion, these three entitites should be included in the All Funds Balance Sheet of the province.

SURPLUSES OF GOVERNMENT AGENCIES

23.9 Section 16(f) of the Audit Act requires me to report the deficits of government agencies not covered by appropriations or any surpluses not paid into the Consolidated Fund. The following is reported for 1983/84:

	SURPLUS/(DEFICIT)	
GOVERNMENT AGENCY	1983/84	ACCUMULATED
P.E.I. Crop Insurance Agency	852,000	1,314,000
P.E.I. Energy Corporation - operating	19,000	285,000
- capital	(256,000)	4,471,000

The entities reported on above have obtained approval from Executive Council to carry over their surplus.

UNDERSTATEMENT OF NET DEBT

23.10 Net Debt consists of all liabilities of the province less the value of realizable assets. In my opinion, liabilities are understated and realizable assets are overstated with the result that Net Debt is understated as at March 31, 1984 by as much as $79 million.

23.11 In government accounting, the determination of what constitutes a liability and what constitutes a realizable asset are both matters of controversy. The Public Sector Accounting and Auditing Committee of the Canadian Institute of Chartered Accountants may eventually settle any disputes through its reports and pronouncements. In the meantime, it is my opinion that the following items are not properly presented in the Public Accounts of the Province.

23.12 NON-REALIZABLE ASSETS

Loan Receivable - Farm Centre Association

Payments due on this account which stands at approximately $200,000 are being provided for each year by appropriation and should be written off.

Hospitals

The balance sheet of the province shows mortgages and loans receivable from the Queen Elizabeth, Prince County and Stewart Memorial Hospitals totalling $37 million. In the past I have argued that this amount is incorrectly categorized as a realizable asset because the only source of funding for these hospitals is through the current budget of the Province and that any payments recorded in settlement of these receivables in effect are not received from an unrelated third party. I have recommended that these receivables be removed from the realizable asset section of the balance sheet.

School Unit Debentures

Loans receivable from the school units amount to $34.4 million. They are similar to the hospital loans in that the main source of funding for future repayment is the consolidated fund of the Province. Arguments presented by the Department of Finance involve the independence and rights of ownership of the School Units. However, in my opinion for purposes of the Public Accounts, the financial dependence of the School Units has a direct bearing on the net debt of the province.

23.13 UNRECORDED LIABILITIES

Courthouse Lease

The determination of what is or is not a liability is not always clear and simple. For example, when government leases a building, the annual

lease payment is normally considered a current expense and because normally a lease agreement can be terminated, there is usually no recognition of any long term commitment or liability. However, generally accepted accounting principles require that under certain conditions a lease commitment must be recognized as a long term liability. When the term of the lease is approximately equivalent to the economic life of the building, when ownership transfers to the lessee for a nominal sum at expiry or when the lease payments are based on recovery of the initial capital cost of the building the lease is considered in substance to be a purchase. Therefore the building is to be treated as a capital asset and the present value of the lease commitment as a long term liability.

The lease on the Sir Louis Henry Davies Law Courts Building is in substance a purchase and the present value of the lease payments or $3 million should be treated for accounting purposes as a capital asset and a long term liability should be set up.

Charlottetown and Summerside Pollution Control Projects

The Province has assumed liability for a portion of the cost of the above mentioned projects. The estimated liability is $1.8 million and has not been recorded in the Public Accounts. Accordingly, liabilities and net debt are understated by $1.8 million.

Guaranteed Debt

The guaranteed debt schedule in the Public Accounts continues to show guarantees on debt incurred by individual schools now incorporated into the consolidated units. Annual payments of principal and interest on these debts are made from regular appropriations. This guaranteed debt is a real liability of the province and should be recorded as such. Hence, liabilities and net debt are understated by $2 million.

23.14 The combined effect of the above noted items is an understatement of Net Debt by as much as $79 million. The combined Net Debt of the Province presently stated as $145 million could be as much as $224 million.

PENSION FUNDS

23.15 An updated actuarial valuation has been completed on the three major pension funds. The Accrued Benefit Method of valuation was used. The actuarial liabilities were reported as follows:

FUND	VALUATION DATE	ACTUARIAL LIABILITY	FUND ASSETS	UNFUNDED LIABILITY
		(in millions of dollars)		
CIVIL SERVICE SUPERANNUATION FUND	April 1/82	$ 95.6	$29.0	$ 66.6
TEACHERS SUPERANNUATION FUND	July 1/82	128.8	22.6	106.2
M.L.A. PENSION FUND	April 1/82	4.6	1.2	3.4

By Act, the Province only guarantees that sufficient funds shall be on hand to pay pensions due. Sufficient funds are on hand for the foreseeable future.

SALES TAX RECEIVABLES

23.16 Last year I recommended that an appropriate allowance for doubtful accounts be established for sales tax receivables. This has not been implemented. Sales taxes receivable as at March 31, 1984 is overstated to the extent that a provision for uncollectible accounts has not been set up. A reasonable provision is estimated at $500,000.

NET FUNDED DEBT - CANADA PENSION PLAN DEBENTURES

23.17 These debentures are callable on six months notice by the Federal Minister of Finance on a prorated basis of total outstanding debentures subject to a deemed shortage in the Canada Pension Plan Fund for meeting benefits payable.

ACCOUNTS WRITTEN OFF

23.18 Section 16(g) of the Audit Act requires that I report the total amount of any claims obligations, debts or money due to the province that have been discharged, cancelled and released under Section 17 of the Financial Administration Act. **The total amount written off in the 1983/84 fiscal year was $4,661,500.**

GUARANTEED DEBT

23.19 The Province has guaranteed a loan of $1,730,600 for the Hog Commodity Board. In addition, the province has an interest free loan receivable of $266,000 from the Board. There appears to be considerable doubt whether the board will be able to meet its obligations. An appropriate provision should be made to account for this potential loss.

23.20 A $7 million guarantee for C.A.D.C. has not been disclosed in the Public Accounts.

23.21 A separate section in this report discusses the subject of guaranteed debt in more detail. As at March 31, 1984 total guarantees amount to $36 million.

CONTINGENT LIABILITIES

23.22 In addition to the guaranteed loans reported in the Public Accounts, three legal suits have been taken against Government and are still outstanding. The combined amount sought is $21,000,000. Experience has indicated that although claims may be very large, normally settlements are considerably lower than the amounts sought.

GENERAL

23.23 Many of the comments in this section could have been prevented by changes to the Public Accounts and the accompanying notes. This section sometimes with major, sometimes with minor revisions has been published for the last ten years. Revisons often result from audit comments not being promptly dealt with by the Department. A review of the Public Accounts should be made that will make possible the elimination of this section to the maximum extent possible.

23.24 Notwithstanding the above headings and comments there are other sections of this report which apply to specific aspects of the Public Accounts.

RECOMMENDATIONS

23.25 I recommend that Treasury Board make an appropriate provision, i.e. $1.7 million against the loan guarantee for the Hog Commodity Board and a $500,000 provision for doubtful sales tax receivables.

25.26 I recommend that the Department of Finance make appropriate revisions to the Public Accounts and the accompanying notes that will allow elimination of this section of the report to the maximum extent possible.

24. APPROPRIATIONS

24.1 My audit of appropriations included a review of the systems and procedures for the administration of the annual budget. This entailed an audit of appropriations approved by the legislature, additional appropriations approved by Executive Council upon recommendation by Treasury Board, transfers approved by Treasury Board, and expenditures incurred by departments.

24.2 In Schedules "A" and "B" attached to this report I have compared appropriations with actual expenditures in accordance with the classifications in the 1983-84 Appropriation Act.

	SCHEDULE "A" ORDINARY EXPENDITURES	SCHEDULE "B" CAPITAL EXPENDITURES	TOTAL
	(thousands of dollars)		
Appropriations			
Original Act 1983 Session	$415,445	$21,675	$437,120
Supplementary Act 1984 Session	11,389	310	11,699
Increases by Order-in-Council	4,714	-	4,714
Total Appropriations	$431,548	$21,985	$453,533
Actual Expenditures	418,404	15,406	433,810
Under Expenditures	$ 13,144	$ 6,579	$ 19,723

24.3 Section 16(h) of the Audit Act requires me to report on additional appropriations. Details are shown in Schedule "C" attached to this report. Schedule "D" also attached to this report lists major under-expenditures.

24.4 During the 1983/84 year pursuant to Subsection 5(1) of the Public Departments Act, departments were renamed. The name changes are as follows:

PREVIOUS NAME	NEW NAME
Labour	Fisheries and Labour
Fisheries and Industry	Industry

24.5 Also, pursuant to Subsection 5(1) of the Public Departments Act the responsibility for various matters were transferred between departments as follows:

TRANSFERS OF ACTIVITIES

ACTIVITY	FROM	TO
Fisheries	Fisheries & Industry	Fisheries & Labour
Regional Services Centres	Community & Cultural Affairs	Industry
Manpower Training	Fisheries & Labour	Industry

24.6 For clarity in Public Accounts presentation the Comptroller has reallocated appropriations and expenditures to retroactively reflect the departmental reorganization.

24.7 For reporting purposes under the Audit Act, in this section and in the Appendices, I had no choice but to follow the Appropriation Act, because it does not permit transfers between departments.

25. FUNDED AND UNFUNDED DEBT

25.1 To provide a better understanding of the funded and unfunded debt and net debt structure of the Province I have included some related schedules along with definitions of the terminology being used. For convenience, the definitions are numbered and wherever the terminology is used in the schedules cross references are made.

1. Gross Funded Debt

This is the long term debt for which redemption provisions are made by means of Sinking Funds.

2. Sinking Funds

These are composed of accumulated savings provided from annual appropriations plus interest earned thereon. These funds are used to repay the debts as they mature.

3. Net Funded Debt

This is the gross funded debt less the sinking funds.

4. Net Debt

This represents the difference between total liabilities and total realizable assets on the Consolidated Fund balance sheet.

5. Combined Net Debt

This is the aggregate of the net debt of the Consolidated Fund and the net debts of Crown Corporations and other provincial agencies.

6. Combined Net Debt Restated

This is the combined net debt adjusted for nonrealizable assets repayable from future tax revenues and for unrecorded liabilities.

7. Unfunded Debt

This is the long term loans for which no Sinking Fund provisions are made.

25.2 SCHEDULE OF CHANGES IN GROSS FUNDED DEBT (1)

For the Year Ended March 31, 1984

Gross Funded Debt, March 31, 1983 (1) - Note		**$312,011,000**
Less:		
1968 issue: Annual payment on principal	71,000	
1963 issue: Issue matured	2,500,000	
1964 issue: Issue matured	2,500,000	5,071,000
		$306,940,000
Plus:		
20 years Canada Pension Plan Average Interest Rate 11.6%	11,135,000	
10 years - December 15, 1993, 12%	25,000,000	36,135,000
Gross Funded Debt, March 31, 1984 (1) - Note		**$343,075,000**

Note: The gross funded debt **reported in the Public Accounts** is $364,075,000. That figure is incorrect in that it includes a $21,000,000 - 10 year loan payable in 10 annual installments. This loan is not funded; payments in 1983 and 1984 were paid from additional borrowings not from charges on the current budgets.

25.3 COMPARATIVE SCHEDULE OF FUNDED DEBT

March 31, 1984 and 1983

Gross Funded Debt (1)	**1984**	**1983**
Financed by: - debenture issues	$233,911,000	$213,982,000
- Canada Pension Plan Loans	109,164,000	98,029,000
Gross Funded Debt (1)	**$343,075,000**	**$312,011,000**
Sinking Funds (2)		
Provision for redemption of debentures	$ 72,910,000	$ 68,695,000
Provision for redemption of Canada Pension Plan loans	36,014,000	29,861,000
Total Provisions	$108,924,000	$ 98,556,000
Net Funded Debt (3)	**$234,151,000**	**$213,455,000**

25.4 **COMPARATIVE SCHEDULE OF COMBINED NET DEBT**

March 31, 1984 and 1983

	1984	1983
Net Debt - Consolidated Fund (4)	$125,143,000	$128,775,000
Net Debt - Crown Corporation and other Agencies	19,954,000	16,895,000
Combined Net Debt (5)	**$145,097,000**	**$145,670,000**

25.5 **COMPARATIVE SCHEDULE OF COMBINED NET DEBT RESTATED**

March 31, 1984 and 1983

	1984	1983
Combined Net Debt per Public Accounts	$145,097,000	$145,670,000
Add: Non-realizable loans receivable	71,600,000	70,165,000
Unrecorded Liabilities	7,000,000	5,787,000
Combined Net Debt Restated (6)	**$223,697,000**	**$221,622,000**

25.6 **COMPARATIVE SCHEDULE OF UNFUNDED DEBT (7)**

March 31, 1984 and 1983

	1984	1983
Loans from Alberta Heritage Fund	$41,000,000	$43,000,000
Loans from Federal Government	6,900,000	7,000,000
Total Unfunded Debt - Note	**$47,900,000**	**$50,000,000**

Note: As at March 31, 1984 a surplus of $4,600,000 arising from over provisions for retired debts was retained to assist in retiring unfunded debts.

26. P.E.I. GRAIN ELEVATORS CORPORATION

26.1 Last year I reported on the financial difficulties being experienced by the Corporation and I recommended that the future need for and the role of the Corporation be reassessed before further subsidization is considered.

26.2 In response, Treasury Board requested that the Minister have an independent and objective review conducted. I understand that the review has been completed and that the report is now being studied by the Board of Directors of the Corporation and officials of the Department of Agriculture.

26.3 For the year ended July 31, 1984, the Corporation broke even.

27. P.E.I. CROP INSURANCE AGENCY

27.1 Last year I reported that one of the principles of risk management is that each category carries its own risks and that good performance in one category should not have to make up for poor performance in another. To act otherwise would be counter productive.

27.2 Whenever a specific commodity incurs a deficit that cannot for some reason be covered from increased premiums, an appropriation should be requested to reduce the deficit for that commodity to tolerable levels.

27.3 The Board responded that while agreeing that everything possible should be done to ensure that each insured commodity is self sufficient, it feels that as long as the agency is in an overall surplus position, no application for appropriating funds should be made.

27.4 At present, tobacco, processing peas and grain are in healthy surplus positions, whereas potatos and rutabagas show acceptable deficits. The cole crops, however, show a substantial deficit in comparison to the volume insured. It is highly unlikely that it will be recovered from future premiums, unless these are raised to 3 or 4 times the present level.

27.5 In addition to the reserve for future crop losses, the Corporation has generated an operating surplus arising from interest earned on investments. This surplus should either be prorated over the crops or could be used to reduce the appropriation for operating expenditures.

RECOMMENDATION

27.6 I recommend that Treasury Board ensure that the Agency adhere to the principles of risk management and that Treasury Board provide appropriations towards crop deficits unlikely to be recovered.

27.7 I recommend that Treasury Board consider applying the operating surplus against the appropriation for operating expenditures.

28. P.E.I. HOUSING CORPORATION

HILLSBOROUGH DEVELOPMENT

28.1 During the last few years, upon my recommendations, the value of **developed** land has been written down to a more realistic value. Although interest on investment is added annually, an equivalent amount is written off to maintain a constant value for the asset. This will only be decreased by revenue of lots sold. Revenue from the few lots sold in the past year indicated that the present asset value is reasonable.

28.2 The authority still carries **undeveloped land** with a potential of 766 building lots as an asset on its balance sheet for $1.4 million. This is made up of:

Original Cost	$ 400,000	28%
Interest	846,000	60%
Development Costs	163,000	12%
	$1,409,000	100%

28.3 In 1980, a real estate appraiser valued the land at $955,000. In view of the low demand for building lots it is unlikely that todays value will be higher, nor does it appear likely that future demand will increase sufficiently to justify development into building lots.

28.4 This year the Corporation has commissioned a study to explore the potential for alternative utilization. In the future interest on investment will be written off to maintain a constant book value. I agree with this policy.

RECOMMENDATION

28.5 I recommend that unless the land can be sold in 1985, the book value be written down by at least $500,000 in the fiscal year 1985/86.

29. LAND DEVELOPMENT CORPORATION

29.1 In 1982 I reported that properties costing $850,000 were purchased on behalf of Parks Canada but that the transfer of title was subject to conditions requiring a Cabinet decision. At March 31, 1983 this cost and the interest accumulated thereon amounted to over $1.2 million. I am pleased to report that this year the transaction was finalized and all monies due the Corporation have been paid.

30. P.E.I. LIQUOR CONTROL COMMISSION

30.1 In my 1981/82 Report I noted that the Commission purchased property insurance independently rather than participating in the general government policies. A cursory review of the rates indicated potential savings of between $15,000 and $20,000.

30.2 The Commission invited tenders for insurance for the 1984/85 fiscal year. I have been advised that as a result savings have been realized of $20,000.

REPORTS ON IMPLEMENTATION OF RECOMMENDATIONS

31. INTRODUCTION

31.1 Many of my audits include recommendations for improvement. I feel it is necessary to follow up on my recommendations to ensure that the underlying problems are receiving the attention they deserve. This section is a summary of past recommendations and the action which has been taken by those responsible for implementation.

31.2 Because my recommendations to Cabinet and to Treasury Board are relatively few in number and deal with policy or government-wide issues of importance, I have been able to list them individually. My comprehensive audit reports on the other hand usually contain a large number of recommendations. These have been dealt with in summary fashion with special attention drawn only to major recommendations not appropriately dealt with.

31.3 Implementation of recommendations is never quick in government and often takes more than one year following my audit report. Sometimes implementation is postponed for valid reasons. In all cases I intend to follow through until the recommendations have been dealt with in a satisfactory manner. For the convenience of the Public Accounts Committee I have indicated next to the title the date of the departmental report which contained the recommendations.

32. 1983 RECOMMENDATIONS TO TREASURY BOARD

RECOMMENDATIONS	REPLY FROM TREASURY BOARD	COMMENTS BY AUDITOR GENERAL
Program evaluation	- Treasury Board is satisfied that its present process where programs are evaluated when it becomes timely to do so is preferable to a formalized system.	- It is my opinion that some formalization and documentation is both practical and desirable. My comprehensive audits clearly indicate a lack of meaningful program evaluation. I suggest that Treasury Board reassess the quality of their evaluation process.
Assignment of responsibility for risk and insurance management.	- Treasury Board has indicated that the Board Secretary has been instructed to meet with me to identify any shortcomings that may exist.	- It appears there could be some misunderstanding between the Board and myself on the definition of risk and insurance management. A discussion may resolve this problem.
Development of a Treasury Board Policy Manual	- Treasury Board has indicated that a policy manual will be issued in the near future.	- This is a long standing issue that will be resolved as soon as the manual is issued.

1984 RECOMMENDATIONS TO TREASURY BOARD

Improvements to long term planning and budgeting Improvements to annual planning and budgeting	- Treasury Board has indicated that long term objectives have been established and that the global budget process currently being used recognizes and reinforces the importance of planning.	- I will discuss this statement with the Secretary to Treasury Board. My comprehensive audits do not bear out this contention.

IMPLEMENTATION OF RECOMMENDATIONS

33. DEPARTMENT OF TRANSPORTATION AND PUBLIC WORKS

HIGHWAYS BRANCH - 1984

33.1 I have been advised that the recommendations concerning the following matters have been **implemented** or are **in the process of being implemented:** Improvements to the planning process; reorganizations; the pavement management system; improved file standards; more active research; extent of contracted snow clearing; engagement of an automotive consultant; control over work for private organizations; improvements in estimating and project management; coordination of traffic engineering; improvements in cost accounting.

33.2 **Not implemented** are recommendations concerning the following key areas: the full automation of sanding and sweeping; a formal rating system for contractors; enforcement of minimum qualifications for grade inspectors; economy and efficiency of sign production; the tendering of highway painting. Next year, I will report on progress made during 1985. Some of the recommendations not implemented result from specific Government policy, others require further investigation.

33.3 In general, I am satisfied that my report is receiving the appropriate level and degree of attention and that substantial progress has been made.

34. DEPARTMENT OF TRANSPORTATION AND PUBLIC WORKS

PUBLIC WORKS BRANCH - 1983

34.1 I am satisfied that my 1983 report on the Public Works Branch, composed of the Buildings and Services Divisions, has been implemented.

35. DEPARTMENT OF TRANSPORTATION AND PUBLIC WORKS

PARKS DIVISION - 1984

35.1 The audit was completed in May 1983. I have been advised that implementation of the following matters have been completed or are in the **process** of being completed:

- **a rational organization structure** will be in place in early 1985.
- activities are now **integrated** with the departmental structure; engineering services are provided by the Building Division and the Central Region has been eliminated.
- In 1986, **low volume campgrounds** will be operated during the peak season only; the two Brudenell campgrounds will be combined; 183 campsites at larger campgrounds will be closed to more closely match demands; more emphasis will be placed on highly used low cost day-parks and canteens will be operated on a concession basis.
- **Inventory** of furniture, televisions, etc. valued at $210,000 has been disposed of by public tender or utilized in the new Mill River complex.

35.2 **Not implemented** are recommendations concerning: manpower classifications and compensation; disposal of $80,000 worth of unrecorded building materials; and formulation of a long-term planning strategy. These issues will be addressed by a newly appointed management team.

36. CHARLOTTETOWN AREA DEVELOPMENT CORPORATION - 1983

36.1 The **long term plan** for the Corporation has been finalized, but has not been formally adopted by all shareholders.

36.2 This year an updated **survey** provided data on the waterfront development, but it has not as yet been analyzed to assess the impact of the development to date.

36.3 The Corporation has not yet developed a written policy on **land assembly.**

37. DEPARTMENT OF EDUCATION - 1984

37.1 My audit was completed in December 1983. I have been advised that the recommendations concerning the following matters have been **implemented** or are **in the process** of being implemented: General Education Development; Media Services; Curriculum Development and Implementation; Provincial Libraries; the Planning Library; Control over Equipment; School Unit Payrolls and Systems Information.

37.2 **Not implemented** are recommendations concerning the following **key areas:** Planning, the Foundation Program, Evaluation and Testing, and Special Education. Implementation of these recommendations was postponed until the Paquette Report was presented in November 1984. The Minister has appointed a Steering Committee to deal with this report.

38. PENSION FUNDS MANAGEMENT - 1984

38.1 **Not implemented**, except **some** progress in examining the external professional management of investments.

SCHEDULES

ORDINARY EXPENDITURES

APPROPRIATIONS

	ORIGINAL APPROPRIATION ACT 1983/84	SUPPLEMENTARY APPROPRIATION ACT	INCREASES BY ORDER-IN-COUNCIL	EXPENDITURES 1984	EXPENDITURES 1983	UNDER EXPENDITURES
AGRICULTURE	$12,937,800	$1,741,531	-	$14,479,296	$13,623,319	$200,035
LAND DEVELOPMENT CORPORATION	618,600	-	-	543,241	650,553	75,359
PEI GRAIN ELEVATORS CORP.	611,400	453,022	-	453,022	-	611,400
COMMUNITY & CULTURAL AFFAIRS	11,556,400	40,450	-	10,910,772	10,627,943	686,078
LAND USE COMMISSION	92,700	-	-	91,567	92,808	1,133
HOUSING CORPORATION	1,728,000	-	-	1,481,975	2,152,874	246,025
GENERAL EDUCATION	5,681,100	148,100	-	5,679,573	5,579,291	149,627
GRANTS - REGIONAL SCHOOL UNITS	71,416,800	240,000	-	71,646,005	68,152,656	10,795
POST SECONDARY EDUCATION	19,072,100	-	-	18,579,925	17,626,446	492,175
SCHOOL CONSTRUCTION	-	-	-	-	573,087	-
VOCATIONAL PROGRAMMING	3,480,300	-	-	3,480,300	3,664,061	-
EXECUTIVE COUNCIL	1,375,800	162,250	-	1,433,349	1,101,600	104,701

ORDINARY EXPENDITURES

APPROPRIATIONS

	ORIGINAL APPROPRIATION ACT 1983/84	SUPPLEMENTARY APPROPRIATION ACT	INCREASES BY ORDER-IN-COUNCIL	EXPENDITURES 1984	EXPENDITURES 1983	UNDER EXPENDITURES
POLICY AND PRIORITIES BOARD	$ -	$ -	$ -	$ -	$ 277,454	$ -
FINANCE AND TOURISM	8,118,900	482,900	-	8,384,814	5,835,164	216,986
FISHERIES & INDUSTRY (now Industry)	4,086,100	3,830,048	-	6,474,514	2,568,599	1,441,634
HEALTH AND SOCIAL SERVICES	62,654,800	110,000	-	60,398,667	60,696,617	2,366,133
ADDICTION SERVICES	2,890,300	-	-	2,851,020	-	39,280
HOSPITAL SERVICES COMMISSION	59,836,500	-	-	59,051,359	53,934,700	785,141
HEALTH SERVICES COMMISSION	16,976,600	-	684,177	17,660,777	16,112,605	-
ENERGY AND FORESTRY	5,555,300	286,540	-	5,569,389	6,133,681	272,451
MARKET DEVELOPMENT CENTRE	1,268,200	-	-	1,222,082	1,553,047	46,118
PEI LENDING AUTHORITY	1,046,400	22,700	199,466	1,268,566	776,336	-
INDUSTRIAL ENTERPRISES INC.	3,623,200	663,403	3,291,375	7,577,978	3,401,012	-
ENERGY CORPORATION	1,288,700	-	-	907,948	708,969	380,752
JUSTICE & ATTORNEY GENERAL	8,663,200	163,600	-	8,698,751	8,032,323	128,049

ORDINARY EXPENDITURES

APPROPRIATIONS

	ORIGINAL APPROPRIATION ACT 1983/84	SUPPLEMENTARY APPROPRIATION ACT	INCREASES BY ORDER-IN-COUNCIL	EXPENDITURES 1984	EXPENDITURES 1983	UNDER EXPENDITURES
LABOUR (now Fisheries & Labour)	$ 6,494,700	$ 1,424,622	$ -	$ 4,998,092	$ 7,233,474	$2,921,230
LEGISLATIVE ASSEMBLY	1,085,900	116,496	8,651	1,211,047	1,263,581	-
TRANSPORTATION & PUBLIC WORKS	38,821,400	1,326,671	-	39,710,579	38,998,309	437,492
OTHER CURRENT EXPENDITURES						
AUDITOR GENERAL	713,400	-	-	708,507	629,509	4,893
CIVIL SERVICE COMMISSION	721,500	-	-	708,561	651,557	12,939
GENERAL GOVERNMENT	5,419,800	177,000	236,224	5,820,997	5,071,015	12,027
TREASURY BOARD	408,700	-	-	366,770	357,125	41,930
GEORGETOWN SHIPYARD	-	-	293,768	293,768	171,093	-
COUNCIL OF MARITIME PREMIERS	653,200	-	-	653,200	722,938	-
DEBT CHARGES	56,546,700	-	-	55,087,855	50,983,147	1,458,845
	$415,444,500	$11,389,333	$4,713,661	$418,404,266	$389,956,893	$13,143,228

CAPITAL EXPENDITURES

APPROPRIATIONS

	ORIGINAL APPROPRIATION ACT 1983/84	SUPPLEMENTARY APPROPRIATION ACT 1983/84	INCREASES BY ORDER-IN-COUNCIL	EXPENDITURES 1984	EXPENDITURES 1983	UNDER EXPENDITURES
TRANSPORTATION & PUBLIC WORKS	$21,675,400	$310,000	-	$15,406,007	$31,364,746	$6,579,393
	$21,675,400	$310,000	-	$15,406,007	$31,364,746	$6,579,393

ORDER-IN COUNCIL	LIST OF INCREASES TO APPROPRIATIONS	SCHEDULE "C" PAGE 1 of 9
	D E P A R T M E N T O F A G R I C U L T U R E	
205/84	EXTENSION SERVICES: FARM DEVELOPMENT PROGRAMS Additional funding necessary to fulfill the Government's committment to the Commodity Development Incentives Program	1,277,000
172/84	MILK MARKETING COMMISSION Professional service to provide audit to facilitate the establishment of long-term prices and milk supply	50,000
172/84	ADMINISTRATION Additional Hog Stabilization grant	414,531
	TOTAL	**$1,741,531**
	P. E. I. G R A I N E L E V A T O R S C O R P O R A T I O N	
219/84	OPERATIONS To cover operating loss	453,022
	TOTAL	**$453,022**
	D E P T. O F C O M M U N I T Y & C U L T U R A L A F F A I R S	
946/83	ENVIRONMENTAL AND TECHNICAL SERVICES - WATER RESOURCES Funding for project to study aldicarb residues in ground and surface water Salary - 6,000 Travel - 2,000 (Cost shared with Federal Government)	8,000
945/83	YOUTH FITNESS AND RECREATION Operation costs for "Corporate Challenge" Program (Cost shared with Federal Government)	3,100
639/83	EMERGENCY MEASURES ORGANIZATION Defense Spending (Cost shared with Federal Government) Salaries - 13,850 Travel - 6,000 Administration - 500	20,350

LIST OF INCREASES TO APPROPRIATIONS

638/83	EMERGENCY MEASURES ORGANIZATION	
	Upgrading emergency preparedness (Cost shared with Federal Government) Equipment - 9,000	9,000
	TOTAL	**$40,450**

D E P A R T M E N T O F E D U C A T I O N

66/84	GENERAL EDUCATION	
	Minority and Second Language Grants (Cost shared with Federal Government)	148,100
	TOTAL	**$148,100**
206/84	GRANTS - REGIONAL SCHOOL UNITS	
	Salary Adjustment - Retroactive pay settlement with non-instructional personnel	240,000
	TOTAL	**$240,000**

E X E C U T I V E C O U N C I L

220/84	CABINET OFFICE	
	Purchase of Microcomputer	15,000
878/83	PLANNING AND RESEARCH FUND	
	To finance assessment study of P.E.I. economy (Cost shared with Federal Government)	110,000
835/83	PREMIER'S OFFICE	
	Cost of hosting a joint conference on small small scale renewable resource development with the Province of Newfoundland Travel - 4,500 Administration - 1,000 Professional Services - 11,250	16,750
634/83	CABINET OFFICE	
	Fees incurred in negotiating Veterinarian College Agreement Professional Services - 18,500 Travel - 2,000	20,500
	TOTAL	**$162,250**

ORDER-IN COUNCIL	LIST OF INCREASES TO APPROPRIATIONS	SCHEDULE "C" PAGE 3 of 9
DEPARTMENT OF FINANCE AND TOURISM		
207/84	TOURISM BRANCH - TRAVEL SALES Additional funding for the Direct Marketing Program (Cost shared with Federal Government) Administration - 39,000 Materials & Supplies - 18,900	57,900
966/83	TOURISM BRANCH - TRAVEL SALES Direct Marketing Program (Cost shared with Federal Government) Materials & Supplies - 180,000 Professional Services - 70,000	250,000
966/83	TOURISM BRANCH - TRAVEL SALES Tour Development - Charter flights (Cost shared with Federal Government) Professional Services - 122,000	122,000
966/83	INDUSTRY DEVELOPMENT Charlottetown Yacht Club Incentive Grants (Cost shared with Federal Government)	20,000
966/83	INDUSTRY DEVELOPMENT Market Research - Quebec Professional Services - 31,000 Travel - 2,000	33,000
	TOTAL	**$482,900**
DEPARTMENT OF FISHERIES AND INDUSTRY		
41/84	INDUSTRIAL PROSPECTING Incentives payment to Cavendish Farms to cover one-third of the cost of installing a new retail french fry line	281,702
951/83	REORGANIZATION Additional appropriation required to facilitate reorganization, Fall of 1983	3,148,346
495/83	FISHERIES BRANCH Seaweed Market Stabilization Program - to purchase 800,000 lbs. of seaweed	400,000
	TOTAL	**$3,830,048**

LIST OF INCREASES TO APPROPRIATIONS

DEPARTMENT OF HEALTH & SOCIAL SERVICES

515/83	AGING DIVISION - PRIVATE NURSING HOMES To fund the required per diem rate for the Sacred Heart Home	110,000
	TOTAL	**$110,000**

HEALTH SERVICES COMMISSION

766/84	HEALTH SERVICES To cover 1983/84 operating deficit	684,177
	TOTAL	**$684,177**

DEPARTMENT OF ENERGY AND FORESTRY

657/83	FORESTRY BRANCH Crown Land Management Employment Project (Cost shared with Federal Government) Salaries - 43,440 Materials & Supplies - 54,840 Travel - 14,550 Professional Services - 3,100	115,930
657/83	FORESTRY BRANCH Charlottetown Watershed Forest Improvement Employment Project (Cost shared with Federal Government) Salaries - 11,300 Materials & Supplies - 14,160 Travel - 3,100 Professional Services - 1,600	30,160
809/83	DEPARTMENTAL MANAGEMENT PROGRAM SUPPORT Native Council of P.E.I. - To assist Native Council to prepare for constitutional conference	15,450
548/83	DEPARTMENTAL MANAGEMENT PROGRAM To maintain the employees delivering the forestry programs for term of sixteen or twenty weeks (Cost shared with Federal Government) Salaries - 80,000 Materials & Supplies - 20,000 Travel - 25,000	125,000
	TOTAL	**$286,540**

LIST OF INCREASES TO APPROPRIATIONS

P. E. I. LENDING AUTHORITY			
775/84	Provision for Doubtful Accounts		199,466
725/83	ADDITIONAL OPERATING COSTS		22,700
	Salaries	- 13,000	
	Administration	- 7,700	
	Materials & Supplies	- 1,000	
	Travel	- 1,000	
	TOTAL		**$222,166**
INDUSTRIAL ENTERPRISES INC.			
777/84	Operating Deficit (1983/84)		3,291,375
152/84	Cost of operating former Canada Packers Plant		663,403
	TOTAL		**$3,954,778**
DEPT. OF JUSTICE AND ATTORNEY GENERAL			
	ADMINISTRATION		18,000
209/84	Travel (Re: Young Offenders Act)	- 2,000	
67/84	Professional Services (increased cost of Lab services for Coroners Inquests)	- 5,000	
67/84	Coroners Inquests - increased costs due to increase in inquest activities	- 11,000	
	JUDICIAL		20,500
209/84	Salaries	- 5,500	
67/84	Materials & Supplies	- 5,000	
67/84	Professional Services (Re: Laviolette /Lund Trials)	- 10,000	
	CORRECTIONS		90,000
209/84	Salaries (Severance Pay)	- 4,000	
	Sleepy Hollow - Salaries (Overtime and Casual Wages)	- 57,000	
	Prince County Jail - Salaries (Increase in personnel)	- 23,000	
	Prince County Jail - Equipment	- 6,000	

ORDER-IN COUNCIL	LIST OF INCREASES TO APPROPRIATIONS	SCHEDULE "C" PAGE 6 of 9
	LEGAL AID	9,100
209/84	Criminal Professional Services - 5,000 (Lund, Laviolette and McGuigan Cases)	
	Family - Salaries - 2,100	
67/84	Family - Professional - 2,000	
	HUMAN RIGHTS COMMISSION	11,000
209/84	Additional salary costs - 3,000	
143/84	Craig Case Inquiry - 2,300	
682/83	Increase operating costs - 5,700	
	LEGISLATION	15,000
872/83	LAW REFORM COMMISSION - to provide funding for contract employee	
	TOTAL	**$163,600**

DEPARTMENT OF LABOUR (now Fisheries & Labour)

950/83	Due to Reorganization, November 1983	1,193,622
208/84	FISHERIES BRANCH Processing and Quality control funds for programs to obtain fish unloading systems at three Island ports. (Cost shared with Federal Government)	105,000
1011/83	FISHERIES BRANCH Financial Assistance - Shortfall on loan guarantee payout Re: Leoville Industries Ltd.	30,000
702/83	LABOUR Additional Institutional training services (Cost shared with Federal Government)	96,000
	TOTAL	**$1,424,622**

LEGISLATIVE ASSEMBLY

778/84	ADDITIONAL OPERATING COSTS Administration - 5,334 Materials & Supplies - 3,317	8,651

ORDER-IN COUNCIL	LIST OF INCREASES TO APPROPRIATIONS	SCHEDULE "C" PAGE 7 of 9
210/84	ADDITIONAL OPERATING COSTS	16,050
	Salaries - 13,850	
	Professional Services - 2,200	
1010/83	Subsidize cost of private telephone lines and installation of the same for sitting MLAs	3,796
635/83	Additional salary costs relating to intersessional Committees	10,800
635/83	Additional travel and expense allowances as a result of amendments to the Legislative Assembly Act	20,900
636/83	Additional costs incurred as a result of extended sitting	64,950
	Travel (includes $4,500 for 3 officials to travel to B.C.) - 7,500	
	Professional Services (includes $3,000 for photography services for MLA composite) - 6,200	
	Salaries (includes $17,808 for intersessional secretarial servies) - 51,250	
	TOTAL	**$125,147**

DEPT. OF TRANSPORTATION & PUBLIC WORKS

211/84	MAINTENANCE BRANCH - TRAVEL	
	Reorganization of the Maintenance Division and planned reduction in staff not completed	73,000
211/84	MAINTENANCE BRANCH - MATERIAL	
	Increased costs of liquid asphalt	200,000
	Queens County - 100,000	
	Kings County - 100,000	
211/84	PLANNING BRANCH	
42/84	Grant for Mill River Project	500,000
158/84	GENERAL ADMINISTRATION	
	Bad Debt Expense - Island Mobile Homes	7,978

ORDER-IN COUNCIL	LIST OF INCREASES TO APPROPRIATIONS	SCHEDULE "C" PAGE 8 of 9
	BUILDINGS BRANCH MAINTENANCE	
	Tax Assessment costs under budgeted	39,493
158/84	P.E.I. Hospital - 6,761	
	Charlottetown Hospital - 6,895	
	Kings County Forestry Depot - 2,416	
873/83	Province House - 1,050	
	Coles Building - 22,371	
836/83	PLANNING BRANCH - TRANSPORTATION	
	Urban Transportation Assistance Program (Cost shared with Federal Government)	422,200
836/83	PLANNING BRANCH - TRANSPORTATION	11,700
	Physical Distribution Advisory Services - 1,700	
	Study of Roll-on Roll-off Vessel Service between P.E.I. and NFLD. - 10,000	
724/83	PLANNING BRANCH - PARKS	
	To provide gates and supervision of day use areas in certain Provincial Parks	9,300
	Parks Western Region - 3,700	
	Parks Headquarters - 2,000	
	Parks Eastern Region - 3,600	
637/83	BUILDINGS BRANCH - MAINTENANCE	
	Maintenance of portable classrooms	63,000
	TOTAL	**$1,326,671**

GENERAL GOVERNMENT

779/84	EMPLOYEE BENEFITS	
	Increase cost pension plans and insurance plans	236,224
212/84	GENERAL GOVERNMENT GRANTS	177,000
	Charlottetown Driving Park - 70,000	
	Prince County Horseman's Club - 107,000	
	Additional funds due to increase in number of events	
	TOTAL	**$413,224**

LIST OF INCREASES TO APPROPRIATIONS

G E O R G E T O W N S H I P Y A R D S I N C.

780/84	To cover operating deficit for fiscal year 1983/84	293,768
	TOTAL	**$293,768**

D E P T. O F T R A N S P O R T A T I O N & P U B L I C W O R K S
C A P I T A L

703/83	PROVINCIAL PAVING Upgrading unpaved roads	200,000
549/83	CONSTRUCTION ADMINISTRATION Amount required to retain survey instrument men and Chainmen for additional ten weeks	96,000
549/83	HIGHWAY LAB Amount required to retain 3 Lab Technicians for additional ten weeks	14,000
	TOTAL	**$310,000**

LIST OF SOME ESTIMATES NOT FULLY SPENT - BY DIVISION

	ESTIMATES	TRANSFERS	ADDITIONAL APPROPRIATIONS	NOT SPENT (OVER $50,000)
Department of Agriculture				
Plant Industry Services	$ 2,207,900	$ (104,170)	$ -	$ 68,052
Extension Services	5,777,900	19,535	1,277,000	85,143
Land Development Corporation	618,600	-	-	75,359
Grain Elevators Corporation	611,400	-	453,022	611,400
Department of Community & Cultural Affairs				
Environmental & Technical Services	1,788,800	9,986	8,000	92,896
Sequestration	-	502,471	-	502,471
P.E.I. Housing Corporation	1,728,000	-	-	246,025
Department of Education				
Educational Services	2,078,400	(1,500)	148,100	62,310
MPHEC & Student Aid	19,072,100	-	-	492,175
Department of Finance & Tourism				
Tourism	2,943,900	(4,400)	482,900	105,884
Sequestration	-	57,900	-	57,900
Department of Fisheries & Industry				
Industry Branch	281,400	(1,500)	281,702	54,529
Business Development	393,800	(142,800)	-	89,785
Sequestration	-	1,191,284	-	1,191,284
Department of Health & Social Services				
Hillsborough Hospital	5,739,900	(12,300)	-	132,765
Field Services	30,058,700	(2,251,200)	-	1,680,758
Aging	2,777,700	83,400	110,000	52,918
Summerset Manor	2,304,300	(2,000)	-	87,479
Provincial Home for the Aged	1,699,800	129,700	-	160,214

LIST OF SOME ESTIMATES NOT FULLY SPENT - BY DIVISION

	ESTIMATES	TRANSFERS	ADDITIONAL APPROPRIATIONS	NOT SPENT (OVER $50,000)
Hospital Services Commission	59,836,500	-	-	785,141
Department of Energy & Forestry				
Energy & Mineral Branch	2,264,200	-	-	176,112
Forest Development Agreement	-	1,549,300	-	63,719
P.E.I. Energy Corporation	1,288,700	-	-	380,752
Department of Fisheries & Labour				
Fisheries Production Division	-	(983)	399,591	145,838
Sequestration	-	2,645,875	-	2,645,875
Department of Transportation & Public Works				
Highways Maintenance Branch - Paving	4,738,300	(72,745)	200,000	71,676
Highways Maintenance Branch - Snow/Ice Removal	3,797,200	(62,300)	-	149,199
Planning Branch Administration	200,800	(2,655)	500,000	77,085
Debt Charges				
Interest	49,208,000	-	-	1,287,243
Sinking Fund Provision	6,974,100	(11,957)	-	171,602